

Clara Sitton, Pyote.
 Thomas J. Darling, Temple.
 Herbert W. Scott, Throckmorton.
 Chester L. Lewis, Wheeler.

WEST VIRGINIA

Michael H. Duncan, Crumpler.
 Charlie F. Baldwin, Madison.

WISCONSIN

John A. Dickerson, Edgerton.
 Frank F. Delventhal, Peshtigo.
 Clarence A. Loescher, Menasha.

WYOMING

William L. Wallace, Rawlins.

HOUSE OF REPRESENTATIVES

FRIDAY, JUNE 10, 1932

The House met at 12 o'clock noon.

The Chaplain, Rev. James Shera Montgomery, D. D., offered the following prayer:

Most Merciful God, just now our first thought is of Thy fatherhood; the second is of the far-reaching brotherhood to which we belong. We pray Thee to regard and bless these relationships. Increase the power of our faith, our hope, and our sympathy as they move toward our fellow men. Do Thou more and more incline us to hold up one another, pitying one another and helping one another. O may we do most for those who need us most. We thank Thee that Thou hast determined by Thy great heart of love that man should not earn his bread by the breaking of his heart. O God, lead us in some way to follow this Divine purpose. As this is Thy will, it is destined to survive the disturbances of time, ever responding to the worth of man. At Thy mercy seat, our Father, we breathe this prayer in the blessed name of the world's Saviour. Amen.

The Journal of the proceedings of yesterday was read and approved.

MESSAGE FROM THE SENATE

A message from the Senate by Mr. Craven, its principal clerk, announced that the Senate had passed without amendment a bill of the House of the following title:

H. R. 11337. An act authorizing the Secretary of the Treasury to exchange the Federal building site in Dover, N. J., for another site.

The message also announced that the Senate had passed, with amendments, in which the concurrence of the House is requested, a bill of the House of the following title:

H. R. 11897. An act making appropriations for the military and nonmilitary activities of the War Department for the fiscal year ending June 30, 1933, and for other purposes.

The message also announced that the Senate had agreed to the report of the committee of conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H. R. 7912) entitled "An act making appropriations for the Department of Agriculture for the fiscal year ending June 30, 1933, and for other purposes."

MATERIALISM AND SPIRITUALITY

Mr. BOLAND. Mr. Speaker, I ask unanimous consent to extend my remarks in the RECORD, and include the commencement address delivered by the Resident Commissioner from the Philippines, Mr. CAMILO OSIAS, at the Waverly High School, Waverly, Pa., on June 3, 1932. This is a school situated in one of the cities of my congressional district.

The SPEAKER. Is there objection?

There was no objection.

The address is as follows:

Once while a supervising teacher in the Philippine Bureau of Education I was traveling on horseback one night from my official station, Bacnotan, La Union, to my home town, Balaoan. On the way there was a river named Darigayo which I had to cross by means of a bamboo raft. It had been raining that afternoon. The stream was swollen and the current was rather swift. The men in charge, whom we call balceros, informed me that it was

dangerous just then to attempt to go across. I, therefore, tarried for a few hours awaiting the stream to subside.

While chatting with the men I saw fire at a distance at the foot of the mountains in the east. I asked one of them, "Where is that fire?"

He answered, "That's at the barrio, or village, called 'Cabalitocan.'"

Now, balitoc in my language means gold and "Cabalitocan" means a place where gold abounds. So I inquired, "Why is it called 'Cabalitocan'?" And the man related the following legend:

Once upon a time there was a man who went fishing on the river in his little banca, or canoe. For hours and deep into the night he worked, but he did not have any luck catching fish and he was disappointed to have not a single fish in his fish basket. Paddling his banca in the darkness of the night, however, he saw something glittering along the bank. He went for the object and to his surprise he found it was a piece of gold about the size of a grain of rice. Full of glee he took the precious metal and thanked his stars, for he knew it was worth more than any fish he could have caught.

He then and there decided to go home. As he glided along he saw not far away another shining object on the bank, and thinking it might be another piece of gold he paddled his banca toward it. He picked it up and found that it was, indeed, a piece of gold the size of a guava fruit. So elated was he at finding a larger piece that he threw into the river the first piece he had.

Proceeding along he again saw not far away a still larger piece, which was shining and bright. This time it was about the size of a coconut. He took this one and threw away what he had.

Hurrying homeward he again saw a still larger piece. Not doubting that it was gold, he threw away what he had and hastened to pick up the great big piece of metal about the size of a mortar. To his dismay he found it so heavy that he could not move it an inch.

Remembering the pieces he had previously thrown away, he retraced his steps, as it were, to look for them, but to his disappointment none did he find, and when he returned to look for the large piece of gold, it, too, could not be located.

That tale has remained indelibly in my mind. The more I think of it the more clearly I see the great moral lesson it teaches, which in times like these we would do well to bear in mind and heed.

This simple legend shows that although the material in life has its place, it is never wholly satisfying. It reaffirms the truth illustrated in the renowned story of King Midas, who, in quest of what he thought was the greatest thing in the world, was given the power to turn into gold whatever he touched, a power which he later had occasion to regret, because the child he so dearly loved was also turned into gold in his clutches as he held her in a fond embrace.

Let me state that I recognize the worth of the material, the practical, the economic in earthly life, yet I cling steadfastly to the belief that the idealistic, the moral, the spiritual constitute in the last analysis the really elemental, satisfying, and permanent. The material is temporal; the spiritual is elemental. Materialism is founded upon things that perish; the spiritual has an immortal basis.

Shortsighted are they who permit their better nature to be obscured by their worship of the material. The farsighted are those who, seeing the things that are, can project themselves into the realm of the imponderables and discover, through the maze of things immediate, the image of what they conceive to be the eternal verities of which spirituality is the embodiment.

Your schooling so far has enabled you to catch a glimpse of the real on earth through the agency of the common subjects. Your taste of a little science may have led you to the conclusion that only the physical is what is real, but, school man that I am myself, I have no hesitation to affirm that spirituality is the true reality.

The youth of the present study various texts and read several references, but I wonder if they grasp and assimilate their contents. I fear that in the face of the avalanche of so much printed matter they fail properly to separate the grain from the chaff and get a warped view of things. I fear they are neglecting the beautiful depicted in classical literature and the great truths embodied in the Book of Books: "What shall it profit a man if he shall gain the whole world and lose his own soul?"

Life in the present workaday world tends altogether too much to the immediate, the obvious, the material. To many of the youth, indeed, materialism has become a god. This can not but sadden the hearts of your elders who wish you well. Ask any of them and, if he be a true guardian of your best interests, he would in his best moments tell you that above the things earthly are the things heavenly; that within what is obvious and tangible in ourselves is the invisible and the intangible which we call a soul or a spirit.

It is this soul that is life. It is this spirit that is real. Only if this reality in ourselves is attuned to the greater soul or the greater spirit may it be said that we are in truth and in fact genuinely educated.

A common criticism against the existing institutions of learning is that they are academic and impractical. Ordinarily, it is meant by this that they are not sufficiently effective in preparing young men and young women for practical life. Practical life in turn is narrowly interpreted, and is made synonymous with the chase of the dollar. The dollar is used as the criterion of success. It is the yardstick by which achievement is gaged. Only he who succeeds in amassing material wealth is adjudged successful. A premium is placed upon material mindedness. This way lies the road to perdition.

Let not the materially ridden social order forget that more important than earning one's livelihood is living an abundant life. True abundance is found in rich spirituality. Hitching our wagon to a star means lifting ourselves from the common level of the material into the lofty heights of the spiritual. This way lies the road to sublime immortality.

I doubt not that perhaps some of my hearers even now are inwardly criticizing me as being but a theoretical and academic schoolman. I do not mind. If to indulge in such thoughts is to be theoretical, then make the most of the charge. Such is my nature and I do not purpose to change it merely to conform to the standard that has become so current in an accursedly materialistic world.

While I believe I am practical enough to realize that there need not be an irreconcilable conflict between sane materialism and practical spirituality, I am insistent in pressing upon my listeners the idea that spirituality should be exalted above materialism. I am emphatic in asserting that the spiritual, not the material, is what is soul satisfying.

Lest I be too much misunderstood, I again advert to the thought already expressed that the material is not without importance, but at best it is only foundational. Upon it must be built a superstructure of character so good, so perfect that teachers and parents alike shall cheerfully realize that the sacrifice they have made for the education of those who graduate has been worth while. In the attainment of righteous spirituality is found the true reward of both the patient teacher and the solicitous parent.

Go forth, I adjure the graduates, consciously striving for that higher and better and nobler something we call spirituality. For you this course and the meaning of the injunction will gain in worth and clarity in proportion to the intensity and seriousness of your compliance. Truth, virtue, happiness—all the things that are held priceless—will become more likely to be yours if you succeed in resisting the temptations that will come to you and if you emerge unscathed in the fierce struggle.

As a man interested in education, I am naturally anxious that some such arresting and challenging thoughts should climax the rich and promising life of youth. My concern is to see the youth avoid the pitfalls which we, who are older have experienced, so that each succeeding generation may be better than that which preceded it. Only thus is the continuity of progress assured.

I am personally filled with misgivings as I see a growing tendency to weigh questions of profit and personal gain against such ideals as liberty in the consideration of causes affecting human rights. It is with no little alarm that I should see on every side evidences of so many people finding thrill in the thought of millions and the figures of millionaires, while but few get enraptured over the pursuit of perfection and happiness.

Those who are bent on amassing fortunes are numerous, but limited is the number of those who are devoted to the prosecution of higher objectives content in sinking their selves in great causes. The trouble is that we are living in an age more bent on getting rich than in becoming good; more desirous to become prosperous than to be free; powerful, rather than peaceful; strong, rather than happy. The very momentum, indeed, seems to be solely in the direction of knowing and doing rather than of being, gathering and getting rather than of giving.

As in years past, we are erecting false gods, though these assume slightly different forms. I am tempted to assert that if Jesus should reappear in His old benign simplicity and in His traditional perfect goodness this world would probably not welcome Him. Perhaps it would laugh at Him. He would be deemed a simpleton. He would be regarded as an object of curiosity, misunderstood, and unappreciated. He would again be made to suffer mental and moral anguish. Yes; perhaps He, as in the days of old, would be crucified.

Nevertheless I do not allow myself to be plunged into the morass of pessimism. I pick up an American silver coin. Fingering and examining it I derive no little delight that upon it I should see the imprint of the image of Liberty and the immortal motto, so wonderfully inspiring and thought provoking, "In God we trust." Not yet, after all, has materialism, despite an orgy of speculation and a saturnalia of extravagance, succeeded in effacing ideals and principles so uplifting and so ennobling!

Individuals as such and humanity as a whole are and will be to the extent that they approximate the truth and reality of ancient and tested ideals. They shall be great to the degree that they lift themselves up to the height and broaden themselves to the dimensions of true idealism and real spirituality.

Just as I would enjoin my fellow orientals to value and conserve the best that there is in their oriental heritage and absorb the contribution of the Occident, just so do I now urge upon my friends of the West to keep and value the best that there is in the Occident and absorb the force, the power, and the beauty of the life of the Orient.

As a man coming from that oriental world whence came every great philosophy, every great religion that has spread over the world, I shall in closing leave this simple message: Do not underestimate the material but identify yourselves with the spiritual. Concern yourselves more sedulously with the search of the universal, the elemental, and the eternal. These you are more likely to find in the realm of spirituality rather than in the domain of materialism.

True life, true liberty, true happiness—these are to be found in rich idealism and genuine spirituality.

DEPRESSION AND WANT OF CONFIDENCE

Mr. DICKINSON. Mr. Speaker, I ask unanimous consent to extend my remarks on the subject of the depression and want of confidence.

The SPEAKER. Is there objection to the request of the gentleman from Missouri?

There was no objection.

Mr. DICKINSON. Mr. Speaker, many times have these words been heard in committee hearings, in debates in Congress, and in the press of the country. A condition confronts the country in which widespread depression, discontent, and want of confidence exist. What causes enter into this condition? Commodity prices have fallen below the cost of production, the buying power of the farmer is gone.

Agriculture has in the past annually created new wealth, amounting to sixty or seventy billions of dollars, a year, as estimated. Mother Earth has been the salvation of the country. To-day her corn, wheat, cotton, cattle, and hogs and other products of the farm are without a market. High walls of protection surround the United States and all countries of the world, so that the surplus products of the farm and factory are without a world market. Trade and commerce, the life of nations, have halted. The lands and products of the farmer no longer give him credit at the banks; the merchant can not sell his goods nor buy from the wholesaler. The manufacturer closes his doors and discharges his employees, and idle labor walks the streets. Banks close their doors and go into the hands of receivers. Business everywhere lags, while unemployment increases. Is it any wonder that a depression and want of confidence are widespread and that the people have lost in a large degree confidence in the financial institutions of our land and in the ability of the Government to find a remedy, to restore confidence, and banish depression? Is it any wonder that the people have lost confidence in the ability of the party in power to restore prosperity, so often promised by those in control of the Government? Is it any wonder that the party in unbridled control for nearly 12 years no longer has the confidence of the masses, who cry out for relief from an intolerable condition?

Our present condition is due in a large measure to the intense speculation in stocks of all kinds, sold to the public throughout the length and breadth of the United States at inflated prices, hoping to get rich quick. Brokers and speculators handled the money of the country, drained it of its money, and when the crash came in October, 1929, the loss to the country amounted to sixty billions or more of dollars—the highest estimate one hundred and fifty billions—and the country lay prostrate. Many believed that the Federal Reserve Board, of which Mr. Mellon, the Secretary of the Treasury, was ex officio head, did not discharge its full duty to the public.

The public was encouraged to buy inflated stocks by utterances of those in high authority, while the general public suffered from enormous losses. It was stated in the August number of 1930 of the Harpers Magazine, quoting the New York Times, that a Pittsburgh dispatch of May 22 to the Times estimated the profits of the Mellon family in aluminum and Gulf oils alone, on the basis of shares owned, as over \$300,000,000, so apparently the Mellon family must have cashed in in May, 1929. All did not lose.

Mr. Mellon and other members of the Cabinet and the President by frequent utterances had encouraged the public to buy. This intense speculation in stocks, ending in the crash of October, 1929, with the enormous resultant loss to investors in stocks, was an outstanding element in producing depression and want of confidence, that will take a long time to restore. The undue inflation of the better class of stocks to high levels beyond their real value also carried upward and flooded the market with worthless stocks, the sale of which to the uninformed public was pure robbery, and millions suffered enormous losses, while the few were enriched by sales at great profits. Cities Service stocks sold above 60, while agents everywhere boosted these stocks, which later dropped as low as 2, and left their vic-

tims bankrupt. The wild speculation in stocks ending in the crash of October, 1929, will long be remembered in millions of homes as one of the chief causes of this depression that hangs like a curse over our land.

Much of the money accumulated by investments and otherwise by the insiders controlling business is now invested in Canada and in European and South American countries, avoiding taxation in the United States and to secure cheaper labor and foreign markets, now denied the surplus products of the farm and factory in the United States. Many billions have been loaned since the World War by the United States Government, and many other billions loaned by private individuals and corporations in Europe and South America.

Now these private interests have urged that the foreign debts due the United States be canceled, so that payment of private investments abroad be made certain. President Hoover proclaimed a moratorium and held out hopes to European governments that said debts would be canceled and payments due the United States cease, thereby adding to our strained financial conditions, cutting short our revenues, and helping to unbalance our National Budget. Then, again, great banking institutions invested in hundreds of millions of German bonds, cashed enormous commissions, and shoved the purchase of these German bonds on to the public, and quickly the value of the bonds dropped to low levels, adding to depression and want of confidence.

The condition in the country is abnormal, largely as the result of the World War. Large incomes increased enormously, to such an extent that 511 people in the United States in 1929 had a net annual income of \$1,000,000, while in 1914 only 60 people in the United States had such a net income. The number of people in 1930 having a net income of \$1,000,000 had fallen to less than 150 persons. A reaction set in and the wealthy class suffered when the masses lost their incomes, and when commodity prices fell to low levels, due to excessively high tariffs, erected in all countries, destroying commerce and trade, the life of nations, so that the surplus products of the farm and factory lost their foreign markets; and with agriculture stricken down and impoverished, prosperity left the farms and mortgage foreclosures increased enormously, and bank failures multiplied, and unexampled unemployment resulted, for when agriculture failed to furnish its annual supply of new wealth, business conditions suffered, and labor walked the streets and crowded the highways, and breadlines formed as never before, and demands for relief cried aloud, and demand for new taxes came from the party in power. Depression and want of confidence fill the country and the public mind.

In 1928 and 1929 stock speculations multiplied, encouraged by those in high authority, ending in the crash that came in October, 1929, resulting in a loss variously estimated from sixty billions to as high as one hundred and fifty billions. The country had been literally drained of money, was bled white when people of all classes were induced to part with all their money, owned or borrowed, to get rich quick. The well informed took their profits, hoarded their money, or invested their earnings in untaxed Government securities. The distressed condition of the country to-day is largely due to stock speculations ending in that great crash and to high tariff walls, builded around all countries, largely in retaliation against the Hawley-Smoot high tariff law, thereby destroying commerce and trade, so that the surplus products of farm and factory could not be sold abroad, thereby forcing to a low level commodity prices below the costs of production.

Too much of the money of the country has been taken from production and used in the gambling operations of the stock exchange, with the full knowledge and consent of the great banking institutions of the country and without the restraining influence of the administration in charge of the Government or of the Treasury Department, whose Secretary was ex officio chairman of the Federal Reserve Board when these gambling operations in Wall Street ended in October, 1929, in the greatest stock crash in the world's history, a tragedy without a parallel in all time. Why should not these gambling operations that have monop-

olized the moneys of the country, the very lifeblood of the Nation, be taxed? The people in all parts of our country were lured by agents everywhere to invest their earnings and all they could borrow in stocks and bonds, worthless many of them, to obtain large and quick profits, with scarcely a word of warning from those in high authority and in control of the money of the country.

Much criticism—and apparently just—has arisen from the fact that over \$3,000,000,000 of taxes have been refunded to the big rich and to corporate wealth. What a contribution this would have been to reduction of our World War debt—and mark you, after sworn returns were made through the aid of expert accountants but refunded through the aid of highly paid experts and attorneys, who fattened and grew rich through this depletion of the Treasury.

When Congress met shortly after the stock crash the administration, of which Mr. Hoover was the President and Mr. Mellon the Secretary of the Treasury, a dominating influence of said administration, urged Congress to turn back to the large income-tax payers about \$200,000,000 of income taxes due and about to be paid into the United States Treasury as a salve for their supposed losses by reason of the stock crash.

That Congress yielded to this demand was a monstrous wrong. The depression that is abroad in the land to-day is in my judgment due in a large degree to the stock speculations that ended in the stock crash, to the high wall of protection built around the United States and the rearing of alike tariff walls by foreign nations in retaliation, thereby destroying in a large measure the commerce between the United States and other nations, by which the surplus products of the farm and factory could not be shipped abroad. Added to this the enormous loans of money and investments of capital of the United States in foreign lands, followed by the purchase of three billions of German bonds, negotiated by big banks with large commissions, and passed on to the American public, and now depreciated to one-third of their face value.

Then comes the moratorium, invited by President Hoover, with the result that foreign countries have stopped payment of their annual dues of hundreds of millions due the United States, for billions loaned to rehabilitate Europe after the World War. Is it any wonder that the masses of the people are without money, that the prices of agricultural products have broken down, that banks everywhere refuse to lend the moneys locked in their vaults, and have closed their doors by the thousands, that the people are afraid to deposit their moneys in banks, that have grown timid for fear of runs that may start at any time. Is it any wonder that unemployment is abroad in the land, while millions walk the streets hunting for work that hunger may be satisfied for themselves and families.

To stay depression extraordinary demands are made on Congress for legislation to stay impending disaster, and the Government responds through Congress by passing quickly an act creating the Reconstruction Finance Corporation, through which \$2,000,000,000 are being loaned to railroads, banks, and other large concerns, to safeguard big business, and other legislation and other large appropriations are being pressed through Congress to meet the dire necessities of the country. Now there is pending here this great revenue bill, deemed necessary to raise by taxation moneys to pay the expenses of the Government, whose annual expenses exceed four or five billion dollars, one billion of which is for interest due on the debt of the United States, resultant from the World War. The Budget is out of balance and the money must be raised by taxation or by sale of bonds or both. Business everywhere is crying aloud against additional taxation. The masses are without means to pay. In daily debate through the Representatives in Congress we hear of the distress and depression that is abroad in the land, of the inability to pay taxes, or to borrow money, of the foreclosure of mortgages, the failure of banks, and widespread depression. The depression here in Washington is not so great, for here is the great Government pay roll of the United States. Here there is an activ-

ity more apparent than elsewhere, buildings all along Pennsylvania Avenue are being torn down, mighty structures raised, and costly buildings being erected, and labor employed, costing millions of dollars to meet the supposed needs of Government and to beautify Washington. But we must look beyond the Capital City of the Nation to know and feel and realize the actual condition of the country.

We need a change. We need a reduction of the expenditures of Government, a reduction of taxes wherever possible, a revival of business, a market for the products of the farm and factory with reasonable prices, a revival of agriculture, so that Mother Earth may render her annual contribution of wealth to meet the world's necessities. The prosperity of the farm must return or business will not revive.

The present condition is a legacy of Republican control through three national administrations—Harding, Coolidge, and Hoover. Capitalism has ruled and controlled the affairs of the Nation. The lending of money largely abroad, speculation in stocks and bonds, foreign investments, the enactment of unjust laws have aided in the unjust distribution of wealth and the centralization of wealth and power in the hands of the few.

A voice in another body proclaims we need a Mussolini; a cry from a potent voice in Wall Street says abolish Congress and suggests a dictator. Are the people ready to surrender representative government and look and listen only to the Chief Executive, whose duty is to execute the laws enacted by Congress, in whose Halls the representatives of the people speak the mind of their constituents, who elect them to temporary office? Jefferson believed in a representative form of government and the ability of the people to govern themselves. It is said Hamilton did not believe the people were capable of self-government and believed in a strongly centralized Government. Congress may make its mistakes but will right itself when it hears the voice of its well-informed constituents. The press may deride and seek to discredit Congress for selfish reasons. In the recent debate on the economy bill Mr. FISH, of New York, said:

My reason for rising to-day is to pay my respects to certain large New York newspapers controlled by the big interests that have viciously and maliciously sought to undermine our representative system of government, and particularly the House of Representatives, by publishing editorials that are false, malicious, and absolutely contrary to the fact. Nothing is more needed at this time than confidence and faith in our country and in our republican form of government and in the Congress of the United States.

Is it the voice of Hamilton crying aloud for a reassertion of his doctrine that representative government is a failure? The President of the United States may attack Congress because it refuses to accept his views, and he may help to destroy its program of economy and then appeal through the controlled press and chambers of commerce and associated industries to the people to attack Congress for its failure to speedily accomplish economy and to reduce expenditures of the Government, multiplied under Republican administration—a hard task, with Executive opposition to any Democratic program for economy, reduction of salaries, and appropriations.

INTEREST ON GOVERNMENT LOANS

Mr. HOWARD. Mr. Speaker, I ask unanimous consent to address the House for three minutes.

The SPEAKER. Is there objection to the request of the gentleman from Nebraska?

There was no objection.

Mr. HOWARD. Mr. Speaker, my attention has been called on several occasions recently, and particularly this morning, to a peculiar situation in our country. The Reconstruction Finance Corporation loans money to big banks at as low as 5½ per cent interest. Congress voted a large sum of money to the Federal land banks to aid the unfortunate mortgage victims of that bank, helping them to pay taxes where necessary, and interest where due, and it is now kindly charging those poor unfortunates 8 per cent for carrying them along in the same helpful way the Reconstruction Finance Corporation is carrying the railroads that have been in trouble.

Mr. BLANTON. They are carrying mighty few, if any, farmers. Farms are being foreclosed daily, and we must provide for their redemption.

Mr. HOWARD. Now, Mr. Speaker, I do not know how this hideous situation can be remedied, so I am appealing now to the splendid minds on our Judiciary Committee and asking that committee if it can not possibly devise some plan whereby this House may take action during the few days intervening between now and adjournment so that this evil situation may be corrected. It is shameful that always and forever in affairs of government our people on the American farms must be given just a little bit the worst of it in all their contacts of government in comparison with those mighty masters of money for which and for whom our Government is now so kindly caring.

Mr. LaGUARDIA. Will the gentleman yield?

Mr. HOWARD. I yield.

Mr. LaGUARDIA. I notice the gentleman's reference is to the Judiciary Committee. Is it due to the fact the gentleman thinks this conduct is a crime, because that committee only has jurisdiction of crime?

Mr. HOWARD. Indeed, I do. The gentleman is eminently correct, as he nearly always is, except on the soldier bill.

CORRECTION

Mr. CONNERY. Mr. Speaker, I ask unanimous consent to address the House for one-half minute.

The SPEAKER. Is there objection to the request of the gentleman from Massachusetts?

There was no objection.

Mr. CONNERY. Mr. Speaker, on Wednesday I inadvertently referred to the legislative counsel of the House as having prepared the amendment to a bill in reference to the District of Columbia. I meant to refer to the corporation counsel of the District of Columbia, and I wish to correct my statement.

Mr. STAFFORD. Then that explains the form in which those amendments were prepared.

DEPARTMENT OF AGRICULTURE APPROPRIATION BILL

Mr. BUCHANAN. Mr. Speaker, I present a conference report on the bill (H. R. 7912) making appropriations for the Department of Agriculture for the fiscal year ending June 30, 1933, and for other purposes.

The Clerk read the title of the bill.

WHAT THE WORLD COURT WOULD SAVE IN ARBITRATION CASES

Mr. LINTHICUM. Mr. Speaker, I ask unanimous consent to revise and extend my remarks on the second deficiency bill passed yesterday.

The SPEAKER. Is there objection?

There was no objection.

Mr. LINTHICUM. Mr. Speaker, I note on page 27 of this bill, H. R. 12443, making appropriations to supply deficiencies in certain appropriations for the fiscal year ending June 30, 1932, a provision continuing the unexpended balance of the appropriation of \$56,000 to pay the expenses of the arbitration between the United States and Sweden. This is one of those appropriation boards set up by our Government to ascertain the damages and loss to Sweden for keeping her ships in American ports during the World War.

The Foreign Affairs Committee of the House has reported out a resolution known as H. J. Res. 378, authorizing the appropriation of \$53,895.85 to pay our proportion of the expenses of the International Court of Justice, commonly known as the World Court, for the calendar year 1932. The United States has been represented on this court since its establishment, the Hon. John Bassett Moore being our first representative, the Hon. Charles Evans Hughes, now Chief Justice of the United States, our second representative, and the Hon. Frank B. Kellogg, formerly Secretary of State, our third and present representative upon this court.

The United States, according to the charter of this court, has a right to submit its cases for decision to the court.

We have not done so, because we have awaited the approval by the Senate by a two-thirds vote of the protocols signed by this Government, which would make us a member of the court by treaty. This is all well and good when the protocols are approved, provided the reservations do not destroy the usefulness of the court to our Nation. The question, however, is, When will the Senate advise and consent to these protocols? That is something no one can visualize. Inasmuch as our Nation has the right to submit its questions to this World Court, which is said to be the greatest court that has ever been established, having upon its bench the ablest jurists of the world, it would apparently be to our interest to submit our questions for their decision and thus avoid the very expensive and untried arbitration boards we set up. It has every facility for consideration of the cases brought before it. The judges are not only men of great distinction and learning of the law, but men who have had experience in international affairs, and therefore better qualified upon a court of this nature.

If House Joint Resolution No. 378, making an appropriation to the court, had been in effect, and we were thus contributing our proportion of the court's expenses, being around the same amount which England pays, and heretofore stated, we could have submitted this Sweden case, which is costing us \$56,000, along with other cases to this World Court. As has been well stated by the Secretary of State in a letter of May 25, 1932, to the Foreign Affairs Committee to wit—

Under the court's charter, we have the right, although not a member of the court, to submit, with the consent of the Senate, such cases to its jurisdiction. That court exists to-day not merely as a group of experienced jurists, but as a tried and veteran institution which has enveloped itself beyond any other international body with the temperateness, the learning, and the impersonal attitudes which are the essence of sound international progress. If the court, which has long maintained an American upon its bench, could now be granted a contribution toward its expenses in a measure appropriate to the position of this country in international affairs, we might as time goes on employ it as a useful agency within the limits of sound national policy. Quite independent of the satisfaction accorded by the submission of some types of controversy to a tribunal of this sort, the submission of cases to it would afford substantial savings in the increasing volume of expense of minor arbitrations. An appropriation of the type contemplated by your resolution would at least afford the opportunity for the appropriate authorities to consider a policy in this direction which would not involve the deeper issues which have been debated in this country for the past decade.

Very sincerely yours,

HENRY L. STIMSON.

It will be seen from what the Secretary of State says that it is quite possible for us to make a great saving if we but pass my resolution and contribute our proportion of the expenses of the World Court, and not only that, but it will be doing the fair and just thing. We might feel that, inasmuch as we do not submit any cases to the court, we are not receiving any benefits; but such is not the case. The court is in session and there are 48 countries parties to it. Cases are being submitted to the court, and some 44 cases and opinions have been delivered. The decisions in these cases kept the world at peace, and so long as the world is at peace, and this court is an instrument to that end, it is beneficial to the United States as well as to the rest of the world.

We have expended a very large sum of money in establishing these arbitration boards, and the following list will show that some \$181,000 have already been expended; whereas had we contributed our part to the World Court, it would only have cost us around \$53,000 per year. It is hardly fair to have a judge on the court and let the other nations pay his expenses and salary. It will be interesting to read the following list of these arbitration boards which have been set up, to wit:

Sweden: Damages for Swedish merchant vessels held in American ports during World War; appropriation, \$56,000. We appropriated \$56,000 to establish the court of arbitration to settle that question which could just as well have been submitted to the World Court and had the benefit of those eminent jurists, but we set up a separate arbitration at \$56,000.

Panama: Damages to American citizens killed and wounded chiefly in riots in segregated districts during past years; appro-

priation, \$70,000. We set up an absolutely distinct court for settlement of that case, which could have been settled in the World Court.

Cuba: Damages to Charles J. Harrah when Cuban Government seized his narrow-gauge railway operating along Marianao Beach; cost, \$30,000. This committee had charge of that matter, if you remember.

Egypt: Damages to George Salem when Egyptian Government held title to certain real estate, thus preventing him from selling it; approximate cost, \$25,000. That matter was also before this committee.

Guatemala: Damages to P. W. Shufeldt when Guatemalan Government canceled a contract for the extraction of chicle from Guatemalan lands; cost held confidential.

Spain: Arbitration of damages inflicted in Spanish territory of Florida during invasion of Andrew Jackson in 1814; cost not yet determined.

Mexico: Settlement of American and Mexican claims against the Governments of both countries for damages suffered by the citizens of each; average cost per year, \$300,000. That, of course, is not the arbitration cost. The minimum cost of these arbitration cases, exclusive of the Mexican, is \$181,000. That is what has been done in slightly more than a year. We have set up separate arbitration courts and we have spent \$181,000 when we could have been in the World Court for \$53,000, and got the benefit of that experienced tribunal which, as I have said, is said to be the finest that the world has ever set up.

RELIEF OF THE DEPRESSION

Mr. McKEOWN. Mr. Speaker, I ask unanimous consent to extend my remarks.

The SPEAKER. Is there objection?

There was no objection.

Mr. McKEOWN. Mr. Speaker, to take us out of this depression it is necessary—

First. To stabilize prices of farm products so as to guarantee the farmer the cost of production and a reasonable profit.

Second. To create a large program of public work so as to furnish jobs for the unemployed.

Third. Cheapen the present value of the American dollar by the expansion of the currency, or the coinage of more silver. This can be accomplished by the immediate cash payment of the soldiers' bonus.

Until you restore the buying power of the farmer any effort at recovery is futile. I am working for and supporting the bill indorsed by the three great farm organizations of America.

In this land of plenty no person should go hungry or unclad. If my advice had been heeded eight years ago, when I urged relief for the farmers, much of the present distress would have been avoided.

This emergency is as disastrous as a war, and it behooves the masses of the people to have in Congress a trustworthy and tried representative.

SOLDIERS' BONUS BILL

Mr. ANDREWS of New York. Mr. Speaker—

The SPEAKER. For what purpose does the gentleman rise?

Mr. ANDREWS of New York. Mr. Speaker, I rise to obtain consent of the House for the immediate consideration of the soldiers' bonus bill.

Mr. RAINEY. Mr. Speaker, I object.

MIXED CLAIMS COMMISSION

Mr. CRISP. Mr. Speaker, I ask unanimous consent to take from the table and consider Senate joint resolution (S. J. Res. 97) extending for one year the time within which American claimants may make application for payment, under the settlement of war claims act of 1928, of awards of the Mixed Claims Commission and of the Tripartite Claims Commission.

The SPEAKER. Is there objection to the request of the gentleman from Georgia?

There was no objection.

The Clerk read the Senate joint resolution, as follows:

Resolved, etc., That subsection (g) of section 2 and subsection (f) of section 5 of the settlement of war claims act of 1928, as amended by Public Resolution No. 48, Seventy-first Congress, approved March 10, 1930, are further amended, respectively, by striking out the words "four years" wherever such words appear therein and inserting in lieu thereof the words "five years."

The Senate joint resolution was ordered to be read a third time, was read the third time, and passed.

A similar House joint resolution (H. J. Res. 396) was laid on the table.

Mr. CRISP. Mr. Speaker, I ask unanimous consent to print the report in the RECORD, as it explains the bill.

The SPEAKER. Is there objection?

There was no objection.

The report referred to follows:

[House Report No. 1409, Seventy-second Congress, first session]

EXTENDING TIME FOR APPLICATION UNDER THE SETTLEMENT OF WAR CLAIMS ACT OF 1928

Mr. CRISP, from the Committee on Ways and Means, submitted the following report (to accompany H. J. Res. 396).

The Committee on Ways and Means, to whom was referred the resolution (H. J. Res. 396) extending for one year the time within which American claimants may make application for payment, under settlement of war claims act of 1928, of awards of the Mixed Claims Commission and of the Tripartite Claims Commission, having had the same under consideration, report it back to the House and recommend that the resolution do pass.

The necessity for this legislation is fully set forth in the following letter from Hon. A. W. Mellon, Secretary of the Treasury, to the Speaker of the House of Representatives:

TREASURY DEPARTMENT,
Washington, D. C., February 2, 1932.

The SPEAKER OF THE HOUSE OF REPRESENTATIVES.

SIR: I have the honor to transmit herewith for consideration by the Congress, a draft of a proposed joint resolution to amend the settlement of war claims act of 1928 for the purpose of extending for one additional year from March 10, 1932, the time within which American nationals, who have obtained awards from the Mixed Claims Commission, United States and Germany, or from the Tripartite Claims Commission, United States, Austria, and Hungary, may make application to the Treasury for payment of such awards.

The settlement of war claims act of 1928 originally required that an application for payment of such awards be made within two years from the date of the enactment of that act (March 10, 1928). Due principally to the so-called late claims agreement with Germany whereby American claimants were given an additional time within which to file claims against Germany with the Mixed Claims Commission, the act was amended by Public Resolution No. 48, Seventy-first Congress, approved March 10, 1930, providing that application for payment be made within four years from the date of the enactment of the settlement of war claims act. Thus, the time limit for making application for payment of awards of the Mixed Claims Commission and the Tripartite Claims Commission will expire on March 10, 1932.

The proposed legislation is believed necessary for the following reasons:

(1) The Treasury holds 67 awards entered in favor of American nationals by the Mixed Claims Commission aggregating, with accrued interest to September 30, 1931, about \$300,000 for which no applications for payment have been received. Thus far the department has not been able to locate some of these claimants. In addition, the Mixed Claims Commission has not yet completed its work, and, in view of the untimely death of Hon. Roland W. Boyden, the umpire, it is not possible to estimate the time required to finish it, but it is almost certain to extend beyond March 10, 1932. The questions pending before the commission involve claims aggregating approximately \$40,000,000. If these claims are allowed it is essential that the American claimants concerned be given sufficient time within which to make application for payment.

(2) While practically all of the awards entered in favor of American nationals against Austria by the Tripartite Claims Commission have been paid, the awards entered by such commission against Hungary have not yet been certified to the Treasury for payment because of the provisions of the settlement of war claims act of 1928, requiring the commission at the same time to certify that the funds deposited by Hungary in the Hungarian special deposit account are sufficient to pay such awards. The Treasury has received from the Government of Hungary the sum of \$8,250 in partial satisfaction of these awards, but that Government can not make further payment until a waiver has been obtained from the Government of France of a most-favored-nation clause contained in the debt agreement between that Government and Hungary. The matter is being actively kept before the Government of France, but in view of the uncertainty when favorable action by that Government may be forthcoming, it is believed essential that the settlement of war claims act be amended as indicated in the inclosed draft; that is, by extending the time for making application for payment for one additional year.

Respectfully,

A. W. MELLON,
Secretary of the Treasury.

FEDERAL HOME LOAN BANKS

Mr. POUL. Mr. Speaker, I call up House Resolution 253 and ask for its immediate consideration.

The SPEAKER. The gentleman from North Carolina calls up a resolution which the Clerk will report.

The Clerk read as follows:

House Resolution 253

Resolved, That upon the adoption of this resolution it shall be in order to move that the House resolve itself into the Committee of the Whole House on the state of the Union for the consideration of H. R. 12280, a bill to create Federal home loan banks, to provide for the supervision thereof, and for other purposes. That after general debate, which shall be confined to the bill and shall continue not to exceed two hours, to be equally divided and controlled by the chairman and ranking minority member of the Committee on Banking and Currency, the bill shall be read for amendment under the 5-minute rule. At the conclusion of the reading of the bill for amendment the committee shall rise and report the bill to the House with such amendments as may have been adopted, and the previous question shall be considered as ordered on the bill and the amendments thereto to final passage without intervening motion except one motion to recommit.

Mr. POUL. Mr. Speaker, I yield 10 minutes to the gentleman from Indiana [Mr. PURNELL] to be in turn used by him as he sees fit. I yield myself 10 minutes.

Mr. Speaker, I presume this is the last of the major proposals of the President which the Congress will be called upon to consider. In view of the criticisms that have been leveled at the Congress from various sources, it may not be out of place to remind the country, at least the fair-minded American people, that this Congress has responded favorably to every major proposal that the President has recommended for the economic relief of the Nation.

We came back here in December. The first proposal was the moratorium. There were gentlemen who regarded the moratorium with anything but favorable consideration, but the President said it would better conditions, and we passed his moratorium. The Federal land bank bill was passed. The Glass-Steagall bill was translated into law, the Reconstruction Finance Corporation was created, and then this Congress addressed itself to the major proposal of all the major proposals, to wit, the balancing of the Budget. We passed a measure which had many objectionable features, but we did what the President asked us to do, we provided for raising revenues sufficient to balance the Budget. Then comes this measure, which is highly controversial. Within two weeks, if I remember correctly, after the bill came from the Committee on Banking and Currency we have it here in the House of Representatives, under a special rule, ready for consideration. That this House will pass the bill is, I think, a safe prediction.

In view of the criticism that this Congress has been playing politics at the expense of human misery, in view of the criticisms leveled at us from other sources, I want to ask in all fairness what it is the President of the United States has asked us to do, which he says will better conditions throughout the United States, that this Congress has not promptly responded to favorably? Not once has this House refused to cooperate with the President in carrying into effect his program for economic recovery of the Nation.

It is easy to criticize Congress every time somebody wants to find fault. It has gotten to be a very common, and I think a very cheap, practice that every time anybody has a grievance he proceeds to damn Congress, yet in all fairness I say that in thirty-odd years' experience I have never seen men work harder day and night, some of them at the expense of their health; I have never seen men on both sides of the aisle exhibit more sincere determination to do what is necessary to elevate the Nation, if possible, out of the Slough of Despond into which it has fallen. For my part, I resent these criticisms of the Congress of the United States, when I know that men have worked night and day to do what could be done to relieve this situation. It is a little bit irritating to read these cheap criticisms, some of them coming from high sources, from which you would have a right to expect better.

Mr. Speaker, there is one matter that may not be entirely out of place in the discussion of this rule. I can not take my seat without alluding to it.

There is in the so-called Garner bill an item carrying \$100,000,000 to be put in the hands of the President of the United States to relieve hunger and suffering betwixt now

and the convening of the next session of Congress. I do not know how you all feel about it; I do not know how the President of the United States feels about it; but I say to you on both sides of this Chamber, as man to man, that I am afraid to go away from here without leaving some such reservoir as that which can be instantly touched in case it becomes necessary. I would like to see that item, if we do not do anything else, enacted into law, by separate bill, if necessary.

We started out in January with 4,000,000 men out of employment; then we heard it was 6,000,000; then we heard it was 8,000,000; and now we are told there are 10,000,000 Americans out of jobs. I say it is to the glory of the American people that up to this time there have been no riots as have occurred elsewhere. We want to make our people feel, if we can, that in this unprecedented emergency hunger and suffering will not be permitted in so far as they can be relieved. [Applause.] I say again that I am afraid to go home without action. I can not sleep at night when I think of these men walking the streets—hungry men and women. I do not think we dare leave without doing something to care for destitution and hunger. I plead with this Congress and I plead with Mr. Herbert Hoover to cooperate with us to raise this great fund, if necessary, and even a greater one, so that in the great cities, in the congested centers, and wherever it may appear that there are suffering and distress, sufficient food can be promptly provided. I hope that every Member who does me the honor of listening to what I am, in my humble way, saying will consider this from now until the day we adjourn.

I do not want to talk about politics; but certainly it can not be charged that the Democratic side of this Chamber is attempting to make political capital when we offer to put this great sum in the hands of the President to use in any way he sees fit, through the Red Cross, through the Salvation Army, or through the great charitable organizations of the country. It seems to me that our great, noble-hearted President would feel constrained to say, "Yes; I will agree to take charge of this fund." It is a situation the like of which no man or woman has ever seen and which I pray Almighty God with all my heart and soul we may never see again. [Applause.] Let us not adjourn without passing some legislation which will be a sufficient guaranty that there shall be no army of starvation in America.

[Here the gavel fell.]

OUR COUNTRY TO-DAY

Mr. NELSON of Wisconsin. Mr. Speaker, I ask unanimous consent to extend my remarks in the Record.

The SPEAKER pro tempore (Mr. WOODRUM). Is there objection to the request of the gentleman from Wisconsin? There was no objection.

Mr. NELSON of Wisconsin. Mr. Speaker, the subject I wish to discuss at this time is Our Country To-day. On May 3 I printed in the Record an address made by me in presenting, on behalf of the Bicentennial Commission, a bust of George Washington to Governor La Follette, of Wisconsin. I pointed out the fundamental principles which Washington made the guiding forces of his own life and sought to express in the life of the Nation of which he was the first President. Following these ideals we were led as a people, to the very heights of greatness.

It is now my intention to point out, by way of contrast, conditions to-day, 200 years after his birth—our present standards, our deviation from those fundamental principles, and the adjustment that must be made for the perpetuity of our institutions and the welfare of our country.

THE MEMBERSHIP OF THE HOUSE OF REPRESENTATIVES

In the consideration of my subject, my point of view is the membership of the House of Representatives. Who will represent the people in this branch, the most important under our scheme of Government, in the next Congress, is, of course, of great personal concern to every one of us. I desire at once to admit that I have a personal interest, and I shall point out the rule to follow in dealing with one's personal interest and the welfare of the people at large.

There are three possible methods to follow: (1) To sacrifice public good to one's personal interest; (2) to compromise by devoting part of the time to one's personal interest and the rest of the time to public good, and (3) to subordinate one's personal interest wholly to public good.

All of us have some self-interest; but the wise way, the right way, and the constructive way is to seek one's personal interest within the general interest, our private good within the public good. To sacrifice public good to our private interests is parasitism; but to sacrifice private interests to public good is patriotism. To compromise is to be part of the time a patriot and the rest of the time a parasite.

Let me comment briefly on this point, for in the adjustment of our private interest to the public interest lies the simple solution of every national problem. The root of all evil conditions that now perplex and vex us like this depression, high taxes, agricultural distress, pensions, and war, is nothing more nor less than sheer selfishness. This takes many forms. I shall mention but three—appetite, ambition, and greed—for these are the taproots of the world's woe to-day. There is no hope to be found in any form of selfishness, whether it be economic or political. There is only one solution and it has to be worked out at first individually; we must keep down our appetites, our personal greed, and our selfish ambitions. Then we must hold others down who let these selfish motives control their conduct in public or in private life. It is a great mistake for anyone to be governed by selfishness. I have never seen anyone reap good out of a selfish act; instead, only disappointment and unhappiness. On the other hand, I have found over and over again that the highest form of unselfishness becomes, in the end, the best service to self.

There is nothing nobler, better, nor more profitable in the world, paradoxical though it may seem, than service to others through sacrifice, for it is the sign and seal of love. The true patriot, whether he be giving his life on the field of battle or living his life for public service, is he who spends it for his country and the good of all. In the very giving of his life he finds it. The best exponent and standard of human sacrifice in private life is a mother's love. The Good Book says that God Himself is love, and no more profound truth has ever been uttered in this world than by the Master almost 2,000 years ago: "He that findeth his life shall lose it; and he that loseth his life for my sake shall find it."

Science, history, and the sacred literature of the world proclaim the truth that the rewards of sacrifice and the penalty of selfishness are inherent in every act.

There are, of course, short-sighted and selfish groups who would have their representatives subordinate everything to their individual demands; but the rank and file act upon the higher motives of justice and the common good. The great majority of the American people will realize that we can not solve the problems that now baffle the best minds of the Nation by considering only the preferences of individuals or even of powerful organized minorities. It is the character of our citizenship and the statesmanship of our public men that will determine our present welfare and the permanent life of our Nation.

THE IMPORTANCE OF THE ELECTION OF A MEMBER OF CONGRESS

There is the mistaken idea that the election of a Member of Congress is of no great importance. To correct this misapprehension I wish to call attention to a Congressman's place in our Government. From long observation I can say that the election of a Member of Congress is of the utmost importance to the people. This is especially true in time of depression, in case of war, or in any other national emergency when the highest form of statesmanship is essential if the country is to find its way out again to peace and prosperity.

The Representative is the people's closest contact with the affairs of state. He is the means or instrument through which his constituency must make their adjustments by law with the conditions that surround them. He is not only the people's direct means of protection, but their lever of power.

Look at the other branches of the public service. Judges hold their positions for life. They are far removed from the people, and the latter have little or no control over them. The same may be said of the officials of the administrative branch of the Government, who hold office for life, except the President, his Cabinet, and a few of his higher appointees. But the President himself is not responsible to any particular constituency, not even to the people of one State alone, but to all the people, and holds office for four years. A Member of Congress is controlled directly by his constituency. He must come before them every two years to prove his fitness for his high office, his faithfulness to their interests, and his efficiency in the discharge of his important duties. There are many reasons for this, but I will mention only two that lay in the minds of the framers of our Constitution. In the first place, they deemed it of utmost importance that the people's direct representative should have control over the public purse strings. So, under our form of government no tax can be levied upon the people, and no appropriation bill passed which does not originate in the House of Representatives.

Moreover, in a Member of Congress is lodged, for the people's safety, the power of impeachment. Through him his constituents can impeach any judge in our Federal courts or the head of any administrative department, including the President himself, bring him to trial, and have him removed from office if found guilty of misconduct.

Therefore, because the House of Representatives is the governmental agency closest to the people, the Members guard the interests not only of their respective constituencies but of the country in general as well, and hold the other departments in check for the people's good. It is highly important, therefore, that the electors of the country should take greater interest in the election of their Representatives in Congress. They should study the records of those whom they have put in office, their qualifications, and proved efficiency.

It has been popular with some newspapers to criticize and condemn Congress, but Congress is just what the people make it. I must admit that Congress has, more or less, broken away from its moorings since the World War. Is this not due to the fact that the people themselves have grown careless and let down the standards of the qualifications of their Representatives? Besides this, it is apparent that there has been a breaking down of moral standards among the people, causing them to rush to Congress for laws to hold in check evils of their own creation, until Congress is simply overwhelmed with demands for laws of every kind. Many of these laws restrain the liberties of the people.

Therefore, the electorate of the country should be not only interested in the choice of their next Congressman, but they should see to it that the men they choose have the qualifications necessary to safeguard the highest interests of the people.

What we need in Congress to-day is loyalty, wisdom, and courage, and above all, unselfishness; without these our democratic form of government is doomed. The inevitable result of the people's indifference to this need will be either a dictatorship of plutocracy under a Mussolini, or a dictatorship of the proletariat under a Stalin, as we now see in Italy and Russia, respectively.

The people of every district should realize, therefore, that the Congressman is their closest contact with the Government of their country; that a Representative in Congress is, as I said before, their direct means of protection, their lever of power. Through him, more than through any other agency, the people must make their adjustments by law for their own interest and for the good of the whole country.

ADVANTAGES AND DISADVANTAGES

While it is a wise provision that a Member of Congress be in close contact with the people, the short term of two years works a great hardship upon the Member. No one knows how great this hardship is if one has not had the experience. The elements of this hardship are the labor and anxiety, the time and energy required for the campaign, and the expense of it, which is frequently very large.

No one likes to be defeated. Moreover, a Congressman must maintain two homes and take his children out of school; and, frequently, he has to give up his business or profession.

Now, it seems to me that we have turned things around. The office ought to seek the man, not the man the office. The people should make themselves familiar with the qualifications of their Representatives in Congress. The utter indifference of the people in many districts over the actions of their representatives is astonishing. There are some who vote contrary to the highest interests of their constituents, and yet they are returned to Congress year after year because the people do not look into their records at all.

Many candidates for office have removed the financial hardships entirely by accepting contributions from campaign committees and from wealthy men. This is not a safe course to follow, for it is sure to impair at times the independence of a Member of Congress and his freedom to vote in the interest of the public good.

The people themselves, however, could lessen these hardships and minimize this abuse by taking greater interest in the selection of their Congressmen.

May I call attention to the fact, also, that in comparison with other branches of the Government there is a distinct disadvantage in being a Representative in Congress? He is not entitled to retirement with salary no matter how long he has served.

In the administrative branch, clerks are permitted to retire after a certain term of service. I am thinking especially of the Army and Navy. There, officers that are barely 50, having served 30 years in either branch of the armed forces of the United States, may retire with comfortable salaries for life.

In the judicial branch the judges of our Federal courts have also this high privilege.

Some one may ask: Why has the Government adopted this policy? Because it is believed to be a wise policy to encourage men to give their lives to public service. It is essential that public officials, especially in places of great responsibility, should have large experience and skill in the discharge of their very important duties. Certainly this applies to Members of Congress who are the most influential factors in the guidance of the ship of state. They have the Nation's business in their keeping, involving the life, liberty, property rights, and happiness of 125,000,000 people. This calls for the highest possible equipment in statesmanship.

But I do not complain of these disadvantages and hardships. It is, in fact, a wise provision that Members of Congress should come back frequently to the people to give an account of their stewardship.

There is, however, a bright side to the service of a Member of the House. There are not only hardships and disadvantages but there are great compensations. During my long service I have seen how the people in congressional districts, East and West, South and North, often keep their Representatives in Congress for life. For instance, Congressman Cooper, of my State, who was a Member of the House for 36 years; Congressman HAUGEN, of Iowa, now the dean, is serving his thirty-sixth year; Speaker GARNER has been returned to Congress for the fifteenth time.

The elder statesmen are the real counselors of Presidents and their Cabinets. They shape the Nation's course in peace and in war, and they are the men of standing and influence in the Government. They are either the ranking members or the chairmen of committees, and the presiding officers of both branches of Congress.

MORAL STANDARDS

Let us now consider how the election of the membership of the next Congress will work into the solution of the problems confronting our country to-day. I have in mind the depression and the way out; taxation and equitable assessment; the cost of government and economy; agricultural distress and farm relief; liquor agitation and the remedy; party politics and the elimination of party prejudices; reform of the rules of the House and greater legislative freedom; the pension system and how it can be saved from collapse by its tremendous weight; and, finally, the next war, how to be pre-

vented or postponed. Surely the solution of these problems, and of many more before Congress to-day, is vital to our best interests and to the good of our country. It is obvious to any thoughtful person that we can not merely let things alone or simply drift out of our difficulties.

To enable us to see our way ahead, we must, first of all, set aside our narrow, local, and personal views and think of ourselves as representing all the people of our country; in short, merge ourselves wholly into the common good.

My point of view is that of one of the older lawmakers of the House, having served under six Presidents of the United States. In fact, there are only one Senator and four Representatives who have been in Congress longer. As I have been a "will cell" in Uncle Sam's soul for nearly a quarter of a century, I have had the opportunity to become familiar with his every thought, his every purpose, his every heartbeat, and have come to know and love him well. I would gladly help him if I could, but there is no panacea or cure-all, and I have no pet scheme of my own to offer for his present troubles.

At the present session of Congress we have been merely treating the symptoms; we have been trying to keep the patient alive. The permanent remedy is not, however, economic. If Congress should vote billions of dollars to the people, that would not cure Uncle Sam's ailments. It might relieve the distress for a time, but these billions would have to be paid, and then the trouble might be worse. Nor do I see the remedy in changing political stewardship. If that alone were done, it would not help matters at all. The solution of the problem is moral rather than economic or political. An economic change would help only if brought about by a change in principles. A political change could help only if with the new set of public servants came higher principles. In other words, a reform in our economic system or the passing of governmental control from one party to another without moral readjustments would be a deep disappointment, an incalculable waste of time and effort.

We must revise our principles and practices as a people if we would solve our present problems with any degree of permanency. To state it more clearly, we must raise our moral standards. I do not say maintain the existing standards, because that would not be of much assistance, for they seem to have gone down almost to the bottom. My earnest plea is that we raise our moral standards.

What is it that determines the level of a nation's life? The standards of morality of the people as reflected in their laws determine the levels of life, liberty, prosperity, and happiness of nations. This is seen over and over again in the history of the world, both secular and sacred. When moral standards fall, with them fall the levels of life. When they are maintained the levels of life are maintained. And when the standards of morality are raised the levels of life are raised.

In pointing out the close relationship between the moral standards and the levels of life, liberty, prosperity, and happiness, I realize fully that I am not propounding anything new or original. I am merely restating that which we all know, for we have been told it over and over again by our parents, by our teachers, and by our preachers; that every violation of the moral law carries with it its own penalty. This is the lesson, the supreme lesson, of all history, secular and sacred. There are no better teachers of the inevitable consequences to nations of infractions of the moral law than the Hebrew prophets, of whom Milton, the great English poet, said:

In them is plainest taught and easiest learned,
What makes a nation happy and keeps it so,
What ruins kingdoms and lays cities flat.

From the first to the last, the Holy Scriptures teach that a nation's strength does not consist in its wealth, not in its armies, nor in its diplomacy. The true palladium is its moral character.

Now, let us see what science has to say on the subject. A writer of biblical commentary says:

Life, we are told by scientists, consists in an adaptation of organism to surrounding; when the adaptation is complete and

the surroundings merge with the organism, there is health; when it is impaired, there is sickness; when it is broken, there is death. Human life has both a material and a spiritual environment.

Is there a more outstanding authority in the scientific world than Herbert Spencer? His writings have influenced scientific thought more than any other person's. He called himself an agnostic. He observed the existence of law in nature, and that all things work out according to that law. As a scientific philosopher he defined life as "the continuous adjustment of internal relations to external relations." Or, as stated by the biblical commentator just quoted, "life consists in an adaptation of organism to surrounding."

Let me illustrate the truth of this definition of life. Let us take a plant, which is an organism with life. It must be adapted to its surrounding; in other words, it must be adjusted to the earth, the water, the air, and the sunshine. If the adjustment is poor, life in the plant begins to fade; and if the adjustment is cut off completely, life ends. This illustration applies to the human being; and as a nation is made up of human beings, it must apply also to nations.

Of the relation of life to morality, Spencer said:

Only by entire fulfillment of the moral law can life become complete; and now we shall find that all life, whatever may be defined, is a quality of which aptitude to fulfill this law is the highest manifestation.

Explaining this aptitude, he says:

To see clear how right and wrong generates consequences, internal or external, that go on branching out, as the years progress, requires a real power of analysis.

And he proceeds:

Indeed, the very idea that reforms may and ought to be effected peacefully, implies a large endowment of moral sense. Without this, such an idea can not even be conceived, much less carried out; with them it may be both.

I will quote Spencer once more, to give his own illustration of this theory of adaptation:

All evil—

Says he—

results from the nonadaptation of constitution to conditions. Does a shrub dwindle in poor soil or become sickly when deprived of light or die outright to cold climate? It is because the harmony between its organization and its circumstances has been destroyed.

Let us not forget that both Scripture and science reveal that we live in two worlds—the spiritual and the material. We can separate them in thought, but in fact they are so interwoven that they are one and inseparable. It is the moral or inner world, however, that is most important and controlling. In fact, the outer or material world is but the reflection of the inner or moral world. If we do not understand this connection and merely look at the material conditions, we must utterly fail to understand life and its contents. Or if we consider these material conditions without regard to moral principles, we can not understand our problems at all nor their right solution.

Not only are the material and moral worlds closely connected, but the principles that govern each are really identical in operation. Thus the principles of the moral world may be summed up in what is known as the law of morality, and the principles governing the material world in what is known as the law of gravity. As the principle of gravitation keeps things in their places, people on earth, and stars moving in their courses, so the principles of morality govern human relations. But there is one essential difference—the material objects—earth, moon, stars—are compelled to move in obedience to immutable physical laws. Human beings, however, have freedom of will. They can violate to a limited extent both moral and physical laws. If man obeys the principles of the moral and material world he is rewarded; when he disobeys them he is punished. The reason for this is that material bodies are not responsible, whereas moral beings are responsible for their acts. Let me illustrate. If I violate the law of gravity just a little by forgetting one step, I may feel a jolt. If I violate it a little more by stepping off a platform or a roof, I may break a limb or lose my life. Just so in the moral world. If I

violate a principle of morality a little, I shall have a shock; if I violate it much more, I shall have a broken reputation; and if I commit a great crime, I may lose my life.

Insight, experience, and the Holy Writ reveal the truth to us that these penalties and rewards in both the material and moral worlds are for our good. They are for our guidance and the protection of life, liberty, prosperity, and happiness.

It is by means of law that as a people we make our adjustments, our adaptation to our surrounding, or, as Spencer says, "the continuous adjustment of inner and outer conditions."

We are constantly changing our laws, economic and political, and our success or failure as lawmakers depends entirely upon the extent to which our laws obey or violate moral principles.

Only in the light of these profound facts and principles can we understand the evils that have come upon us as a people, and determine their remedies.

SPEECH OF HON. U. S. GUYER

Mr. GUYER. Mr. Speaker, I ask unanimous consent to extend my remarks by including therein a speech I made at the Kansas Retail Grocers' Association just before leaving for the Congress.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Kansas?

There was no objection.

Mr. GUYER. Mr. Speaker, under leave to extend my remarks, I include the following speech, which I delivered at the State convention of the Kansas Retail Grocers' Association at McPherson, Kans., October 5, 1931:

INDIVIDUALISM, THE KEYSTONE OF ANGLO-SAXON CIVILIZATION AND SOCIETY

Mr. Toastmaster, ladies, and gentlemen. Individualism is the keystone of the Anglo-Saxon civilization and society. It is imbedded in the solid masonry of the foundation of our governmental structure. It is the basis of our national progress and achievement. It saturates our Constitution, which was written for the protection of the individual, his life, liberty, and property. It has long been our proud boast that the child of the humblest citizen, under the protection and favor of that Constitution, could rise to the highest position of power and opportunity. That here, under the protection and inspiration of equal opportunity, such a child could develop to the limit of his capacity.

Again and again have we demonstrated the truth and possibility of that claim. Here, encouraged by this equality of opportunity and inspired by the ideals of our forefathers, we have wrought achievement unparalleled in the history of mankind. Under the magic of this ideal of individualism we have built the richest nation in the history of the earth and the builders were men and women of humble birth but who triumphed by reason of this good old Anglo-Saxon principle of individualism.

Lincoln, though born in a habitation more poverty stricken than the manger of the Man of Galilee, rose to a pinnacle of fame and power not excelled by a score of men in the history of the earth. And he led his country through a weltering sea of human blood in defense of that very ideal of individualism. Human slavery was the implacable foe of individualism. It smothered not only the hopes of the black man, but it alike quenched the inspiration and opportunity of the poor white man and deadened the stimulus of the slave owner and his child. This Nation was never founded for any kind of slavery, intellectual, spiritual, or industrial.

The World War was occasioned and fought over that very principle. It is a singular and interesting fact the two opposing ideals or ideas that precipitated that war had their origin in the same country, in the free forests of Germany among the Teutonic peoples in the long ago. They gave to the world its highest conception of individualism. Later they gave to Germany the principles and system of collectivism which was the Prussian or Hohenzollern idea of government. Under it the individual must bow to the will of a powerful state wherein his initiative and opportunity was submerged in the domination of the state. Finally this system seemed so good to the Emperor of Germany and the ruling class that they determined to impose it upon the councils of the world.

Two thousand years ago a great Roman historian by the name of Tacitus went up into the forests of Germania and recorded in imperishable Latin literature the story of a wonderful people who loved liberty above everything else and where in that time even the women possessed equal rights with men in the crude forms of government that they possessed. She shared not alone in the government but also in the hardships of that northern life and when necessity demanded drew her sword in defense of her own. Here the individual was free to act as long as he did not intrude upon the same sacred rights of others which became the foundation of Anglo-Saxon government and society.

About 450 A. D., when Rome withdrew her legions from Britain where Caesar had placed them 500 years before, the Angles,

Saxons, and Jutes crossed the narrow sea to Britain and conquered her native Celtic peoples and brought with them their Teutonic ideal of individualism or of individual liberty and to this day that ideal is upheld in the British Empire. Over a thousand years later our Puritan ancestors brought those same ideas and ideals of individual liberty to America and it became the foundation of our system of government and society.

But let us see what became of this ideal in Germany, the land where individualism was born. By reason of constant wars against and around them they had to maintain a large and powerful army and the Hohenzollern dynasty headed and led by the Great Frederick used that military machine to build up a powerful state in which the rights of the individual were overshadowed by the collective will which inhered in the head of the state. So the Hohenzollern kings of Prussia trampled under foot the rights of the individual which were subordinated to the will of this powerful state. Under that system with its key word "kultur," individual enterprise and initiative were smothered until William II, the last of the Hohenzollerns finally declared that in his acts as sovereign he was responsible only to his conscience and his God. And for the protection through the years of this powerful army and potent state the German people through the centuries gave up little by little their traditional individual rights while their brethren who centuries ago had gone to England still clung to their ideals of individualism.

In England there were monarchs a plenty who would have taken away these rights of the individual, but they had no army sufficient to accomplish it. The English Channel, like a watery moat, protected the British Isles so that for a thousand years no enemy's foot touched her shores. England had and needed no great standing army. So far in our country individualism has been maintained, but not without a constant struggle against its enemies.

MONOPOLIES FOE TO INDIVIDUALISM

I have dwelt at length upon this historical background to bring again to our minds the origins of the principles involved in our industrial and commercial life in America. So we will appreciate the significance of it when we see selfish and greedy interests strive to crush the individual and individual enterprise and initiative. Individualism has a thousand foes to contend with. Every monopoly is a foe of individualism. Every combination tending toward centralization of money and power is a foe of individualism. The powerful and selfish oil interests that to-day import oil and oil products to cripple our own oil industry is a foe to individualism. Every combination of capital and business which by unfair competition and cutthroat prices tries to crush the individual merchant is a foe of individualism.

There are those who defend monopolies. Who assert that by mass production and centralization control they cheapen the product to the consumer. But only until they have crushed competition. One of these apologists and defenders of a giant corporation declared: "Do we not clip off many buds in order that we may have one superlatively beautiful rose?" The answer to that is that cheap products are always too dear when bought at the price of the tragedy of individual bankruptcy.

CHAIN STORES DISTURB MERCANTILE WORLD

I oppose all agencies, combinations, and monopolies that are reared on the ruins of individual enterprise. Here the individual falls beneath the force of unfair competition and cutthroat prices which delude and at the same time rob the public when competition has vanished. The chain store is one of those combinations that disturb our mercantile world.

First, I want to discuss the chain store, unchained, as it affects the community where it does business. We live in a rapidly changing world. The whole scheme of life has changed so rapidly that we hardly realize it. Life in the country has particularly changed. The automobile has abolished space and obliterated the zones. The auto has made us all gasoline tramps. There was a time within the memory of some of us when we could tell a country boy or girl by their mode of dress and manners. That is now impossible. We all dress alike and act much alike. All a result of our common rapid transportation. A boy used to know those around his home as far as a horse and buggy would take him in a couple of hours. Now he has friends in towns a hundred miles apart. Thirty-five million autos and busses! Two and a quarter billion bus passengers every year. Six million a day. And the end is not yet. The country and the country town are no longer a provincial community. They are highly sophisticated elements of our common country, enjoying the same daily papers, the same movies, and a common society.

How about the small town and its destiny in this fast-changing country and age? What will its future be when the hard-surfaced road, the chain store, and the mail-order concerns have all operated on it? The facility of transportation has enabled its former customers to trade in larger cities within reach of the gasoline buggy. This has been the small town's greatest disadvantage. It has lost much of its home trade. The lure of the city has dimmed its luster. On the other hand, the hard-surfaced road may bring back more than it has taken away. Industry is decentralizing. Once factories had to locate at great railroad centers for adequate transportation facilities. This, too, is changing. Small towns have less expensive real estate, lower taxes, and living in general is cheaper. Take the packing industry. I used to raise stock southwest of here in Stafford County. My stock was shipped always to Kansas City. Now I would load it on a truck or two, start to Wichita at 3 a. m. and be there when the yards were open. Wichita, Denver, Sioux City, and many other minor packing centers are getting business from the larger centers. So it will be, no

doubt, with many other industries. That will aid the smaller town. And then there is growing up a sort of auto trade from the city. They buy anything from sausage to antiques that were made last week.

CHAIN STORES HAVE NO INTEREST IN COMMUNITIES

But the chain store, too, is coming to the smaller town. I can see no redeeming feature to its coming to the smaller town. It is an alien and a stranger. It is not the kind of stranger that you want to take in. It takes you in. What it receives goes almost wholly to New York or some eastern center. It has no pride or interest in the community. All it is interested in is what it can get out of the town. It has nothing to put into the town or its life. It is a sort of vampire that lives upon the lifeblood of the town. It either drives out the resident merchant or makes his business unprofitable.

The resident merchant has grown up with the town, supporting its schools and churches and making his life a part of the history of the community. He does not get rich, but he was a substantial citizen. He was on the building committee when they built the church. If it was a hospital, his money and counsel went into it. Then a chain store comes to town and with its unfair competition and cutthroat prices drives him to the wall. Over 300,000 of these independent merchants have been driven out of business and they and their employees are now a part of this great army of unemployed. No greater tragedy ever occurred in the history of American business.

The chain store employs the minimum of workmen at the lowest possible wage. You carry your purchases away under your arm or in a basket. In other words, it takes everything away and contributes little or nothing to the life and welfare of the community. Its interests are scattered over hundreds of towns and cities like yours. It is interested in one thing only and that is how much profit is there flowing into the coffers in New York. Its interests end with the balance sheet.

UNFAIR COMPETITION

If competition was fair, there would not be so much complaint. But they know that if competition was fair, they could not compete with the home merchant with all his acquaintance. By fooling the people with unfair competition they crush competitors. Then they monopolize trade and gouge the customer. How are we going to prohibit this unfair competition?

CAPPER-KELLY TRADE BILL AID TO INDEPENDENT MERCHANT

I shall say nothing about State legislation unless to merely state that the States may by taxation help the independent merchant if so inclined. I am a more competent witness concerning national legislation. Of course, I refer to the Capper-Kelly fair trade bill, known to us in Washington as H. R. No. 11. Members of this convention are no doubt as familiar with the provisions of this measure as I am. In my opinion it will be of immense aid to the independent merchant by giving him an even break and protecting him from the cutthroat competition, which has driven hundreds of thousands of merchants out of business, a competition that injures everybody except those who employ it.

You are familiar with the situation. Here is a small manufacturer of high-class goods of fine quality. He has put his life into perfecting and improving these goods. His guarantee goes with them. They are so good that the public approves them. That makes them "bargain bait." The chain store uses these goods for "bait." They sell these goods below cost. The independent merchant is angry. He blames the manufacturer. The manufacturer is helpless and his independent customers refuse to sell an article upon which no profit can be made. Then when competition has vanished the chain sells a substitute. That small manufacturer wants this fair trade bill to pass and become a law as much as does the independent merchant. It would, in my judgment, be tremendously advantageous to both.

How about the wholesaler? He has a business built up through the years with independent merchants. He sees that chain stores drive his old friends and customers out of business and he is helpless to aid them and at the same time he becomes a victim of their rapacity. The chains have their own wholesale agencies.

How about this independent merchant who has spent a lifetime building up a business and serving his friends and neighbors? He grew with the town, prospered when it prospered and asked only enough profit to afford him a living. Then comes the chain store. There is the usual campaign with ruinously low prices on popular, well-known goods. The chain makes up its losses on other goods. The customers of the independent merchant drop out and the independent merchant closes his doors, a victim of cutthroat prices and unfair competition. This is not fiction. Hundreds of thousands of them have gone this route.

We want the Capper-Kelly bill passed to save the manufacturer, the wholesaler, and the retailer. In our opinion it would be of great value to these necessary elements of our business world and do no injustice to these great nation-wide organizations whose immense capital enables them to compete unfairly with independent merchants. The Capper-Kelly bill passed the House last spring on Kansas Day, January 29, 1931, but did not pass the Senate.

What does this bill provide? Section 1 provides that a contract is legal between vendor and vendee which stipulates a resale price of a trade-marked, identified article which means fair and open competition with commodities of the same general class produced by others. It is, of course, a voluntary contract. There is nothing obligatory in the bill. Only the manufacturers and merchants

who want to cooperate to protect a standard price will use this contract. Of course, manufacturers who have a monopoly will not use this contract.

Section 2 provides that all purchasers from the vendor for resale in the same city must be granted equal terms as to purchase and resale price. This is unnecessary probably because the manufacturer who uses this contract is interested in a uniform price for his widely advertised product.

Section 3 provides that no validity shall be given to contracts between manufacturers or between wholesalers or between retailers as to sale or resale price. The purpose of the bill is to prevent such agreements.

Section 4 merely defines "producer" and "commodity."

But I need not analyze this measure further, for you are perfectly familiar with it, no doubt. It seeks to promote fair play for the independent merchant, to preserve the ideal of individualism in American business that has produced such marvelous results in the past and at the same time give a square deal to the purchaser of merchandise. I confidently believe it will tend in no small way to do this. I sincerely hope that this bill will become a law at the next session of Congress.

FEDERAL HOME LOAN BANKS

Mr. MICHENER. Mr. Speaker, I agree with much that the gentleman from North Carolina has said in so far as attacks upon Congress are concerned; but I had understood we were met here to-day to give consideration to the home loan bank bill, a matter which has been before the country for the last few months, a piece of legislation which is aimed to give relief and comfort to the small home owner of America.

I regret that my good friend from North Carolina, in the beginning of the discussion of this nonpartisan measure, has seen fit to criticize the President of the United States and give to the very beginning of the debate a tinge of partisanship which has no place in any relief legislation in this body to-day. [Applause.]

Oh, my heart is as great and as big and as generous as is the heart of the gentleman from North Carolina, and for one I shall never knowingly permit anyone in America to starve, if a vote or any action on my part in this body will bring about relief.

The gentleman says he fears to go home. He says he fears what will happen. He says it is marvelous that we have had no riots. I have a lot of respect, admiration, and faith in the American people, in the very kind of boys who sit in the gallery to-day asking something at the hands of Congress. They are Americans. They believe in America. They know we can not all get what we want at all times, and I have faith enough in them to believe that if they do not get what they want they appreciate the fact that they are still Americans, and there will be no riots so far as men of that type are concerned.

Mr. BLANTON. Will the gentleman yield?

Mr. MICHENER. Not now; no.

I do not believe in inviting riots or predicting riots or suggesting riots. We are not going to have a riot because men in America are not going to starve.

The gentleman from North Carolina calls attention to Title I of the Garner relief bill providing that \$100,000,000 be placed at the disposal of the President and inferentially criticizes those who opposed the entire bill. Had it not been for the stringent gag rule preventing amendments, and if members of the majority party had been permitted to use their own good judgment, the "port-barrel" provisions of the relief bill would have been stricken out and some honest-to-goodness relief bill might have been on its way to the White House.

Mr. MAY. Will the gentleman yield?

Mr. MICHENER. Not just now. I have just a little time, and I want to say something about this bill, because that is what we are here to consider.

The home loan bank bill is the medium through which assistance and relief are to be given to over 13,000,000 home owners in this country, of the type who carry their dinner pail and answer the call of the whistle in the morning and in the evening. The size of the loans is limited. This bill will be of no direct value to the owner of the castle. This bill is a part of the President's reconstruction program, and it would be too bad to pass the other legislation suggested and not do something to assist the home owner with

the mortgage on his home and with what little saving he has, tied up in a building and loan association, from which organization it is impossible for him to withdraw his funds at this time, even though these funds are necessary to sustain the family. There is some \$20,000,000,000 in mortgages on small homes in the United States; nearly eight billion of these mortgages are held by building and loan associations. Their securities are as sound as any we have in the country, yet because of the credit situation their assets are absolutely frozen. The building and loan associations are not to blame. The laws controlling them are not to blame, and surely the people whose savings are thus locked up are not to blame. The home-loan bank system to be provided for will do for the home owner what has already been done for the farmer, because agencies have been provided through which the farmer may borrow on his farm. This legislation will do for the building and loan associations what the Federal reserve banks do for the banks, and it will be possible for these associations to raise funds upon their seasoned home-mortgage loans.

Much discussion has been had as to the purposes for which the funds provided in this law will be used. Extensive hearings have been held before the Committee on Banking and Currency. All interests involved have been heard, and the preponderance of opinion is that this wholesome legislation will accomplish the purposes hoped for and should be enacted. The hearings developed that the funds provided will be used for several purposes, chief among which are:

First. To refinance existing mortgages so as to permit smaller payments, and to accommodate the needs of withdrawing members and depositors.

Second. To give the institutions funds permitting them to tide over, or carry along, worthy borrowers who are having difficulty meeting interest or installment payments.

Third. To assist borrowers in paying taxes and insurance costs, which must be maintained regardless of conditions.

Fourth. To provide funds for modernization, repairs, and maintenance of existing homes, thus increasing employment.

Fifth. To provide a source of funds to refinance the thousands of short-term mortgages, which have been called for payment due to bank failures and due to like financial institutions converting their resources into liquid funds. Thousands of home owners are in distress for mortgage money to-day.

Sixth. For such building of small homes as may be desired and needed in many localities, thus giving employment to those engaged in the building trades.

The purpose of this law is not to cause the immediate construction of a large number of homes. I think, as a general proposition, the country is pretty well built up, yet there are communities in which home building should be carried on and is needed, and it is safe to say that none of the money provided for in this bill will be used for extravagant building. This bill has been designed both to take care of this emergency situation and to function as a permanent institution, eliminating to a large extent the very distressing condition which now confronts our building and loan associations. It is true that the Reconstruction Finance Corporation has been of great assistance to building and loan associations, as well as to the other institutions, yet when we remember that this agency is not permanent and that loans are made for only a period of six months, it will readily be observed that they can be of very little help to building and loan associations, whose securities or mortgages are necessarily of the long-term kind.

This is not new legislation. Some years ago Senator Calder, of New York, and Congressman Nolan, of California, introduced bills in Congress covering the same subject matter, yet there was not urge enough back of these bills to secure accomplishment. To-day the need is urgent, and this will not only assist immeasurably at this time, but will prevent reoccurrences of distress in the future. The measure was suggested by the President, was thoroughly considered by the Banking and Currency Committee, a majority of whom are not of the President's political faith, yet all of these people are agreed as to the wisdom of this legislation.

I am thankful, indeed, that the majority of the House, even at this late date, is permitting this legislation to come on the floor, and I hope from now on that politics may be abandoned during the consideration of the bill and that we may discuss the merits of the bill.

Mr. McDUFFIE rose.

Mr. MICHENER. I yield to the chairman of the Economy Committee.

Mr. McDUFFIE. I simply want to join the gentleman in his hope that politics may be adjourned for a while, but I want the gentleman to practice what he is preaching. [Applause.]

Mr. MICHENER. That is a very good suggestion and I give the gentleman the promise now that if you do not provoke it, if the Democrats will refrain from getting on the floor and making Democratic speeches day after day, you will not hear the subject opened on this side; but when a Democrat takes the floor and makes a political speech and criticizes the President of the United States and the Republican Party for things for which they are not to blame, we are human over here, and you can hardly expect us to sit here, as we have for days and days, and take it on both cheeks without resentment. Patience sometimes ceases to be a virtue.

Now, let us get down to the consideration of the bill.

Mr. MAY. Will the gentleman yield for a question?

Mr. MICHENER. Just for a question.

Mr. MAY. I want to ask my amiable friend from Michigan if he does not think that at this particular time in the history of the country even a "pork barrel" would be better than a garbage can. [Laughter.]

Mr. MICHENER. I do not appreciate the significance of the gentleman's question, but it is just about as intelligent as many of the question that are asked here. We are trying to get away from politics and I hope the gentleman will let us.

This home loan bank bill is urgent legislation and will be applicable generally throughout the country. I well understand that there are some States at this time where the State laws must be changed before advantage can be taken of the act. This was true when the Federal reserve act was passed, and there is nothing compelling any State or institution to accept the benefits of the law unless so desired. This is real help for the little fellow—the man with the weekly wage, and will undoubtedly save many homes from a mortgage sale; will permit frugal wage earners to reap the benefit of their savings in these times of depression; will strengthen the local bank which has been assisting the local building and loan associations, and will inspire faith and confidence in these splendid associations, which have done so much to make our country a land of homes. I am sure that the rule will be adopted unanimously, and I hope that there will be very little opposition to the bill. [Applause.]

Mr. POUL. Mr. Speaker, I yield five minutes to the gentleman from Illinois [Mr. SABATH].

Mr. SABATH. It is to be deplored that the gentleman from Michigan [Mr. MICHENER] should have attacked the sincere appeal of the gentleman from North Carolina [Mr. POU] in behalf of the millions of suffering people as being a political gesture. During my many years of service I can honestly say that I have never heard so strong and patriotic an appeal, and I can not understand how anyone can construe, by even the longest stretch of the imagination, that it was a political speech.

Mr. Speaker, I wish to God that the gentleman from Michigan [Mr. MICHENER] and his colleagues on his side, as well as the President, would stop political talk. But every time any Democrat makes an appeal to the country or to you, though it be made with the best of intentions, he is immediately attacked for bringing up politics.

Mr. Speaker, the gentleman from Michigan [Mr. MICHENER], as well as others, knows that these charges are not true. The Democrats have willingly followed the recommendations made by the President with the hope that real,

permanent relief would be forthcoming and that the conditions which face the country would be improved.

I am not going to detract anything from the President and the Republican Party, but when the gentleman from Michigan [Mr. MICHENER] and others here take credit for everything and blame the Democrats for things for which they themselves are responsible, we must protest. The Garner bill that the gentleman attacks is the only bill that is really a relief bill, in that it provides and will create work for the unemployed. And yet the gentlemen on the other side of the House designated it as "pork-barrel" legislation. I concede that it is not a perfect bill, but I think it is legislation in the right direction, and it follows the recommendations of the President before his managers set him to work playing politics.

I feel the country will appreciate the fact that it is the intention of the Democratic Party to provide work for the unemployed. Only a few weeks ago the conference on unemployment decided on and unanimously recommended a governmental construction program calling for the erection of public buildings, the building of roads, and the improvement of rivers and harbors. What has the gentleman from Michigan to recommend or what has the President recommended that would put the 10,000,000 to 12,000,000 unemployed to work? It is true that the President recommended the Reconstruction Finance Corporation, the amendment broadening the power of the Federal Reserve Board, and this bill, and, above all, demanded the balancing of the Budget by the imposition of additional taxes and by the reduction of salaries, so that the securities held by the international bankers and our foreign credit would not be affected.

The gentleman from Michigan [Mr. MICHENER] gives the President credit for this bill—a bill which I have long advocated. Mr. Speaker, for over a year I have appealed to the President for this legislation, and have joined in the country-wide request to call a special session of Congress. He referred me to Mr. Eugene Stevens, chairman of the Federal Reserve Bank of Chicago. On June 13, 1931, I received the following letter from Mr. Stevens:

JUNE 13, 1931.

HON. A. J. SABATH,
Chicago, Ill.

DEAR MR. SABATH: I understand that you have recently sent a wire to the President at Washington relative to the banking situation in Chicago, which has been referred to me through the Federal Reserve Board.

I should like very much to have an opportunity to discuss this matter with you, and wonder if you could find it convenient to come into my office the early part of the week. There are some things about this situation which we might be able to discuss to our mutual advantage.

Very truly yours,

EUGENE M. STEVENS, Chairman.

At this conference he assured me that legislation to relieve the home owner was badly needed. But notwithstanding this and the fact that I pleaded with the President to call a special session so that his legislation, or any other legislation, could be enacted in order to relieve the distressing conditions, he refused to act and instead issued new assurances that conditions were improving.

The record will show that I have pleaded with the Federal Reserve Board in 1930 to accept for rediscount short-term municipal paper to relieve the municipalities and the people of the country, which the board could have done under the law, if authorized by the President. But again the President refused to act.

The gentleman from Michigan [Mr. MICHENER] in his adroit way charges the House with delay in bringing in this legislation. He fails to realize and recognize the fact that the subcommittee held a hearing and worked on this bill for more than two months before it was able to agree on many of the provisions that would make the bill workable and bring about relief that was originally intended by those of us who had for nearly two years advocated this beneficial legislation.

If the gentleman from Michigan [Mr. MICHENER] and other gentlemen on his side were fair, they would be obliged

to admit and concede that not only in this but in the last Congress and the Congress before that I advocated and pleaded for this legislation. In 1930 I urged that the home owners of America be aided and saved from the loss of their homes and ruin by urgently requesting the Federal Reserve Board to accept for rediscount not only Finance Corporation securities but also mortgages on homes, as well as the municipal short-term securities, bonds, and anticipating warrants; but the administration refused to grant any relief, notwithstanding the fact that such legislation would have been beneficial to approximately 12,000 institutions and approximately 30,000,000 people.

Therefore I feel that it comes with poor grace from the other side to charge us at this time with delay, when it was within the power of a Republican House and a Republican Senate and a Republican President to adopt this legislation two years or at least a year ago, and when the Federal Reserve Board was in position at all times to purchase or accept for rediscount these securities.

It is amazing to what extent some of you gentlemen and the Republican press will go in the hopes of misleading the American people and unloading upon us Democrats all of your misdeeds. The facts are that the Republican press, which you control, in the last few months has in every way endeavored to lay the responsibility for existing conditions upon the present House, because, fortunately for the country, it is a Democratic House, though by a small majority only. Anyone familiar with conditions can not help but understand that it was a Republican administration that not only permitted but encouraged the international and Wall Street bankers and the stock exchanges to fleece, yes, to call it by a better name, to loot the American people by unloading upon them not millions but billions of dollars of worthless foreign as well as domestic securities, thus not only ruining individuals but ruining all of the smaller banks of the Nation by causing the withdrawal of deposits that were used for the purchase of these worthless stocks and bonds, and also causing the withdrawal of millions of dollars from building and loan associations by those unfortunates who followed the advice of President Hoover and Mr. Mellon to invest in these securities that are to-day worthless and that, even at the height of prosperity, had a small value. It is these things that brought about a situation that has caused the loss of millions to hundreds of thousands of home owners and has brought ruin to the banks and that now compels us by this legislation to aid the millions who have not as yet lost their homes and who can not obtain renewal of their mortgages on their small homes, because they are unable to pay their interest and taxes.

This bill, if enacted into law and faithfully and honestly administered, will be a blessing to millions and will indirectly aid municipalities, inasmuch as many of the loans that will be granted will be used to pay back taxes owed to the municipalities.

This is a bill that is entitled to the support of every well-meaning Member, and inasmuch as we have appropriated millions for relief of the farmers, for the Farm Board, for the land banks, and other agricultural agencies, I feel that you gentlemen are in honor bound to vote for this proposed legislation.

Though I have advocated the law as provided for in this bill for nearly two years, the credit for having originated it must go to former Secretary of Labor William Wilson and to ex-President Woodrow Wilson, under whose direction a bill containing the principles of the one now before us was introduced, which a Republican Congress refused to pass.

Mr. POULSEN. Mr. Speaker, I yield five minutes to the gentleman from Illinois [Mr. DIETERICH].

Mr. DIETERICH. Mr. Speaker and gentlemen of the House, I am still new enough in the Congress to avoid entering into the spirit of partisanship that seems to be displayed when measures of this kind are brought up. In this I mean no criticism of the remarks of the chairman of the Rules Committee. I consider the remarks of the gentleman from Michigan [Mr. MICHENER] as unwarranted.

This resolution should be adopted and the bill providing for the Federal home loan bank should pass.

This bill is not perfect, but, with a few minor amendments, it presents a sound, a practical, and useful scheme which will be helpful to the home owners of this country.

Heretofore practically all of the important measures that have been presented for consideration of this Congress have been emergency measures brought out on the floor without adequate time for discussion or proper amendment, all designed to meet existing emergencies.

This is the first measure that is aimed to effect a permanent remedy of an existing condition.

There is nothing more important to the prosperity of the various communities that compose the various States of this Union than proper and adequate credit to the citizenship and the institutions which go to make up the particular community.

The general trend for the past decade has been to restrict and interfere with the extension of credit by the community banks, loan associations, and other credit agencies to the extent that to-day they are not permitted to render that service for which they were established and which purpose they served years past.

I desire to call the attention of the Congress that it was this interference with community service more than any other that has brought about conditions of depression in communities where such conditions were practically unheard of in years past.

The Federal Government, in its supervision of the banking institutions, not only passed on the value of the security of the loans made by such institutions but directed the class of securities in which a bank should invest its depositors' moneys.

They even went so far as to direct the amount of deposits that the institution could invest in local loans and directed that a certain amount of money should be invested in so-called liquid securities issued by the industries of other States and other nations.

When this policy was adopted the community bank ceased to be the community servant and the individual and institution within the particular community was denied the just and reasonable credit to which they were entitled.

Among the first to be affected by this policy was the real estate and the home owner, in that real-estate loans which were perfectly safe were listed as frozen assets which the banker was instructed to liquidate.

This bill has for its purpose the reestablishment at least in a limited degree of the credit, at the present time denied but which was formerly enjoyed, by the home builder.

This Nation will not and can not recover from the present condition until a like credit and a like privilege of rediscounting real estate and other loans is afforded to the local bank and other local credit agencies.

Prosperity will not be secured until the community bank is permitted or rather encouraged to reestablish itself in the community service.

By community bank I mean to include the banks in the smaller cities throughout the rural communities of our country and in such places in the urban sections where the matter of convenience necessitates the establishment of banks to serve their needs.

In an earlier address to this Congress I called attention in more detail to the policy of the Government which had for its purpose the centralization of the moneyed wealth of this Nation in which it encouraged the discontinuance of local loans and encouraged investment in securities not only of this but of other nations of the World, this policy is responsible for the tremendous number of bank failures that have taken place within the last three years.

I consider legislation along the line of this bill which has for its purpose a correction of the errors of the past and the return of credit to the average deserving citizen as the most important legislation to which this Congress can give its attention.

Of course, much will depend upon the manner in which the act is administered. If properly administered it will be

productive of much good, if improperly administered it will only prove another expensive experiment. [Applause.]

Mr. PURNELL. Mr. Speaker, I regret that I was not present when this debate started. I also regret that when I did step into the Chamber I found it surcharged with politics. I came here to-day to seriously contribute in my feeble way toward the passage of a bill which I regard as of the greatest importance to the country. I am not going to enter the political argument which has been thrust into the Chamber this morning, but I call the attention of the House to the fact that on the 13th day of last November, before Congress had convened, the President of the United States issued a statement in which he said:

I shall propose to Congress the establishment of a system of home loan discount banks for four purposes.

Mr. PARSONS. Mr. Speaker, will the gentleman yield?

Mr. PURNELL. No; I have not the time. The President then set out the four purposes. They were:

1. For the present emergency purpose of relieving the financial strains upon the sound building and loan associations, savings banks, deposit banks, and farm loan banks that have been giving credit through the medium of small mortgage loans upon urban and farm properties used for homes, thereby to relieve pressures upon home and farm owners.

2. To put the various types of institutions loaning on mortgages in a position to assist in the revival of home construction in many parts of the country and with its resultant increase in employment.

3. To safeguard against the repetition of such experiences in the future.

4. For the long-view purpose of strengthening such institutions in the promotion of home ownership, particularly through the financial strength thus made available to building and loan associations.

Mr. Speaker, this is the 10th of June. Almost seven months have elapsed since the Congress convened, and up until very recently none of us have been able to drag out of the two committees having jurisdiction over this bill, the Banking and Currency Committee and the Rules Committee, the bill and rule which are now before us; so that if there is any charge laid at the President's door for failure to take action which will help some 12,000,000 small, thrifty depositors in this country, a like charge may be laid at the door of those who are in control of the organization of this House.

The rule now before us, if adopted, will make in order the immediate consideration of a bill which has been drafted in response to the President's suggestion. To my mind the home loan bank bill offers immediate tangible relief to more than 12,000,000 thrifty members of building and loan associations throughout the United States whose savings are invested in nearly 12,000 associations with nearly nine billions of assets. Some concern has been evidenced for some time over the so-called "little" or "forgotten man." I do not admit that we have lost sight of the so-called "little man" at any time in our reconstruction program here, but to those who think we have here is a real opportunity to be of service to him.

The agency proposed in this bill is sound and built upon existing institutions which are the subject of inspection and regulation by the States. Its purpose is to give financial support to existing home financing, thrift, or savings institutions which now have millions of dollars of preferred first mortgages on homes upon which they can not raise a single dollar to pay withdrawing depositors and shareholders or to make loans or refinance existing mortgages.

There is nothing new involved in the principle. In 1913 Congress created the Federal reserve system, a system based upon membership—a compulsory membership by all of the Federal banks and an optional membership by State banks. The purpose of that system was to create a reservoir of credit available for commercial banks in time of stress. The system was based upon the rediscount of commercial paper arising out of business as well as some agricultural transactions.

Three years later Congress created the Federal farm-loan system with the purpose of furnishing to agriculture access to greater credit, thus making it possible for individual

farmers to secure funds at a reduced rate of interest on farm loans. That system now has something more than a billion dollars of mortgages and has reduced the average rate of the total of farm mortgage interest by $1\frac{1}{2}$ per cent.

The creation of these two systems suggested that a similar system might furnish credit in the building field, and as a result President Hoover recommended the establishment of a system of home loan discount banks and our Federal land banks. I am sure that no committee of Congress would seriously consider an attempt to repeal either the Federal reserve laws or the Federal land bank enactment and substitute in the place of both or either any temporary relief of credit such as is provided by the Reconstruction Finance Corporation act. The needs clearly indicate the necessity of establishing a permanent system such as is provided in the bill before us, and I sincerely hope the rule will be speedily adopted in order that we may begin consideration of the bill.

It is proposed to create a system of 8 to 12 Federal home loan banks in districts to be determined by the Federal home loan board. Building and loan associations, cooperative banks, homestead associations, savings banks, trust companies, and insurance companies are eligible for membership. The members supply the permanent capital, and upon becoming members subscribe 1 per cent of the mortgages eligible for collateral or discount, but not less than \$1,500. This subscription can be paid on a quarterly basis, and immediately upon payment of the first quarter a member is eligible to borrow twelve times its subscription.

Each of the 8 to 12 banks will start with a minimum capital of at least \$5,000,000. Subscriptions are to be opened, and at the end of 30 days the subscriptions are to be totaled, and the Government subscriptions to stock will, if needed, bring the total to initial capital required. The Government's subscription, which may as a maximum reach \$125,000,000, is merely an advance and is to be repaid as additional institutions join the system. An early retirement of the Government capital is anticipated by the provisions of the bill, and it is believed not more than one-half the maximum of \$125,000,000 will actually be called for.

The bill assumes that it can best serve the small savers and the home owners by serving the home-financing institutions in all the towns and cities of the United States. These home-financing institutions are primarily building and loan associations and the small established country banks. Therefore no loans are made direct to home owners, home buyers, or builders.

In order to keep the 8 to 12 banks in proper condition each one must at all times have an amount of money equal to the capital subscriptions of its members in, first, United States Government securities; second, interest-bearing deposits in banks and trust companies; and third, loans to members with a maturity not greater than one year. Other than this, the funds of the bank, including funds received from the sale of bonds, may be loaned to members for long periods of time.

I shall not undertake to discuss the bill in detail. It is more or less technical and I shall leave to those who have spent weeks in its study and preparation the task of dealing with its specific provisions. I merely want to say in conclusion that in these days of unrest and economic uncertainty an increase in the number of home owners throughout the United States would have a most quieting effect upon the Nation's nerves. I have always contended that bolshevism, revolution, and unrest find little or no opportunity for growth among those who own their homes. If this bill does nothing more than stop foreclosures throughout the country it will have served a most useful purpose. Last year at least 150,000 families lost their homes through foreclosures occasioned largely by the inability of home-financing institutions to function normally.

In addition to preventing foreclosures this measure will enable millions of depositors in banks and building and loan associations to once more draw upon their savings in home-financing institutions, which they can not now do. By so drawing upon the reserves which have been put aside for

a rainy day these millions of thrifty American citizens will be able through their restored purchasing power to make a most valuable contribution toward economic recovery.

I sincerely hope the rule will be speedily adopted and that the bill which it makes in order will be soon enacted into law. [Applause.]

Mr. POUL. Mr. Speaker, I yield five minutes to the gentleman from Oklahoma [Mr. McCLINTIC].

Mr. McCLINTIC of Oklahoma. Mr. Speaker, I agree with the distinguished gentleman from Illinois [Mr. DIETERICH] that the credit of various communities is about destroyed. I intend to support this rule; yet I am not sure whether the bill that is proposed to be enacted into law contains all of the features that should be in the legislation to relieve all the different classes that are now in distress.

Every report which I get from home indicates that conditions are getting worse. This legislation is another bill that, in my opinion, begins at the top, with the idea that the relief will work down. As I said yesterday, it does seem to me that there ought to be enough Members of this House in favor of legislation that would begin at the bottom and gradually work up, so that we can rehabilitate this Nation, to the extent that we can put a foundation under the chief occupations so that we may have hope for a return of prosperity.

Now, what will happen if we continue passing legislation that begins at the top? One of these days a pay day will arrive and these institutions that have received aid, in my opinion, unless there can be brought back a degree of prosperity, will be in a position where they must have another blood transfusion so that they can postpone their payments until conditions get better.

What is the situation with respect to the railroads? They are not receiving any increased business. The money that is being loaned to them by the Reconstruction Finance Corporation can not be repaid unless there is a revival of industry in this Nation. I said to this House yesterday that unless the chief industry, agriculture, can receive some kind of rehabilitation, then measures of this kind, while meritorious, will simply mean the postponement of the crisis that is just as sure to arrive as I am standing on this floor. We know that the fountains of production have dried up, and that unless there can be put into law some kind of legislation that will be beneficial we can not hold out much hope for the future.

I say to you that the channels of commerce have been clogged up. We should put into legislation some kind of law which will enable those who produce that which we must have to feed our people, obtain a proper price so that we may continue in a way that will be equitable and fair.

This legislation, as I understand, provides relief for banks. It provides relief for building and loan associations, but the banks of this Nation do not now have the confidence of the people to the extent that the people will put deposits in the same.

Last week in Oklahoma the postmaster of the county seat of my county said he was sending fifteen times more money to the postal savings than he sent last year, which is indicative of the fact that the people are not going to patronize their home banks unless there can be some law passed which will cause them to know when they lie down at night to sleep that their little savings will be safe.

It is for that reason I am hoping that we can enact into law the guaranty bank provision that was passed by this House, so that that will be an aid, in part, to this rehabilitation program, thus causing our citizens to patronize the home banks instead of sending money to Eastern centers, thereby making it possible for such institutions to take care of the needs of our people.

I have just returned from Oklahoma, and I know that our citizens are more depressed than ever before. It is my earnest desire to support every bill that will be beneficial to the Nation, yet I am positive that unless agriculture can be placed on a sound basis all other industries will continue to suffer. This being true, I sincerely hope that Congress will

not adjourn until it has completed its legislative program. I realize that many of the Members have opposition for reelection, and that they would like to go home. Yet, in my opinion, it will be far more beneficial to them if they remain here and complete the job.

OFFICE EFFICIENCY—AND CAMPAIGN SLANDER

I want my friends to know the facts as to how I have conducted my office so that they will not be misled by those who are trying to deceive the voters by making misleading statements. I am, by law, allowed to appoint two persons to assist me in taking care of my office work. During the period I was in very bad health it was necessary that I be away from my office a large portion of the time, and in order that I might be certain that every duty was properly looked after, I requested my wife to draw a portion of this allowance and use the same in employing necessary extra help. She opened my personal mail when I was in the hospital and supervised the work in such a way there were no complaints from any source. Some will remember that influenza first carried me to the hospital, and a lung operation made it necessary for tubes to be inserted for drainage, which impaired my left side to the extent I had to go to different health resorts to regain my strength. Evidently this settled in my kidneys, as it was necessary a few years ago to undergo another operation, and one kidney was removed. During this long period of bad health I have been in the hospital four times and have had four operations.

On one occasion I was reelected while in the hospital. On another the House of Representatives passed a special resolution to allow me to take the oath of office while in a hospital some fourteen hundred miles from Washington. It is true I retained my wife in this position so I could use that which she drew to pay extra help. The law allowed me this privilege, and should my health again break down, she will go back in the office and see that the work is looked after in a proper way. No member of my family has ever retained or profited a penny from my office allowance. I have no apology to make for using the one closest to me when I had to have some one who had my interest at heart, and I am proud that I have the kind of a wife who gladly served the splendid citizenship of the district without the thought of pay. There are now being circulated other kinds of slander and poison that are too foolish to even reply to. I have always conducted my campaigns on a high plane, and if I have to engage in the spreading of poison and untrue reflections on anyone, I certainly will not expect my friends to vote for me.

The SPEAKER pro tempore. The time of the gentleman from Oklahoma has expired.

Mr. PURNELL. Mr. Speaker, I yield two minutes to the gentleman from Illinois [Mr. WILLIAM E. HULL].

Mr. WILLIAM E. HULL. Mr. Speaker, I know of no legislation that has been before this House that will mean more toward helping the small man than this bill. The importance of it is so great that I hope we will not delay longer than to-day to pass this legislation. We all know that the young man and the laboring man who has a mortgage on his home can not go to the building association at the present time and get any relief. In other words, he is tied up in this way: He must pay so much each month to keep up his building association payments. If he can not earn that money, when he has no work, consequently he can not possibly meet his payments. What is the result? The result is foreclosure; and what little money he has accumulated for probably the last 8 or 10 years has been deposited in this home. We should not quibble for a moment over this bill. We should pass it to-day and get it to the Senate as early as possible and let it become law.

We all know that the President of the United States is back of this bill. We all know it has been the one bill that he has tried to bring before the Congress of the United States; and, regardless of politics, this is one thing that will help to bring the country back for the man who is unable to secure a job. I entreat everybody, both Democrats and Republicans, to pass this bill to-day and get it immediately to the Senate. [Applause.]

The SPEAKER pro tempore. The time of the gentleman from Illinois has expired.

Mr. PURNELL. Mr. Speaker, I yield to the gentleman from Massachusetts [Mr. DALLINGER].

Mr. DALLINGER. Mr. Speaker, I am heartily in favor of this bill, House bill 12280, which has been finally reported by the Committee on Banking and Currency and is to be allowed consideration by the House under this special rule. It is one of the pieces of legislation urgently recommended by President Hoover in his annual message to Congress in which he set forth a complete and comprehensive program for the relief of the American people in the present worldwide economic depression. My only regret is that it was not passed months ago so that thousands of our fellow citizens might not have lost their homes through foreclosure proceedings.

And in connection with this subject, let us consider briefly the causes of the present economic depression and some of the remedies that have been and may be suggested to bring about recovery and a return to prosperity.

THE PRESENT ECONOMIC DEPRESSION—ITS CAUSES AND REMEDIES

I am tempted to make a comparison of the present condition of our country with a man who is sick and calls in a doctor. The first thing the doctor does is to ascertain the history of the patient, as usually the illness is due to something the patient has done or has neglected to do in the way of diet, lack of exercise, exposure, and so forth.

What every good doctor then does is to apply remedies that will assist nature to bring about recovery. In such a case it is very apt to occur that from various sources suggestions of quack remedies are offered, which, if applied, are sure to make the patient worse; and finally there is very often the psychological influence of fear which will always retard recovery.

Having this thought in mind, let us consider the history of our patient, the United States, going back to the commencement of the World War in 1914.

THE WORLD WAR AND ITS RESULTS

The total cost of the World War in capital wealth destroyed has been estimated to be over \$300,000,000,000. The actual cost to the United States up to January 1, 1932, was over \$40,000,000,000. Apart from this destruction of capital wealth, the loss of life, the fixed charges settled on the Nation for the payment of interest on the public debt and the care of veterans, the worst result of the war to the United States was the undue expansion of American industry, both agricultural and manufacturing.

Following the expansion of credit which occurs during every war there came the inevitable deflation, reaching its climax in 1920 and 1921, with resulting bankruptcies and unemployment, the number of unemployed at that time being over 6,000,000.

The recovery of the United States from the first deflation came with the enactment of the Fordney-McCumber tariff bill, the protective rates of which came only just in time to save many of our industries from being destroyed by the flood of foreign-made goods which were entering the United States under the low duties of the Underwood tariff law.

Then, after prosperity was restored, in 1925 occurred the Florida land boom and its inevitable collapse, wiping out the savings of millions of people.

THE ORGY OF SPECULATION

In spite of this lesson, however, there then occurred another era of expansion, accompanied by an orgy of speculation in securities, differing from previous periods of stock speculation in that practically everybody who had any money participated—spurred on by the banks, which established agencies for the high-pressure sale of securities at prices far beyond their actual worth. This was accompanied by the floating of large issues of State and municipal bonds for roads and school buildings at the low rates of interest due to the tax-exempt feature of such issues, and also issues of bonds of European and South American countries. Along with this went installment buying on an enormous scale, spurred on by high-pressure salesmanship.

STOCK-MARKET CRASH OF 1929

When, as a result of loans advanced by banks, the price of securities began to advance beyond their actual worth, the Federal Reserve Board might have to a large degree prevented the undue expansion of credit by raising the rediscount rate of interest, but the board neglected to act until it was too late to prevent the excessive inflation and the inevitable crash which occurred in October, 1929.

PRESENT DEFLATION AND ITS CONSEQUENCES

Since then there has been a steady deflation, resulting in a capital loss on paper at least of over \$65,000,000,000. This deflation has continued until securities, real estate, and commodities are selling way below their actual value. The resulting panic caused runs on banks throughout the country, causing thousands of banks to fail for the reason that they were unable to secure sufficient funds to meet the demands of their depositors by selling their securities in a falling market. This failure of the banks in turn caused people to hoard their money and the banks that still remained solvent to refuse credit, resulting in a further contraction, both of money and credit.

RAPID FALL IN COMMODITY PRICES

Commodity prices have fallen to such a point that the farmer and manufacturer are not only unable to obtain a profit, but in many cases have been obliged to sell their products at a loss. This has resulted in a depletion of reserves where they existed or failures where, in the absence of reserves, the banks refused to extend credit.

REDUCTION IN WAGES AND UNEMPLOYMENT

As an inevitable result, the wages of employees have been reduced and millions of men and women have been discharged, in many cases becoming public or private charges upon the community.

Every reduction in wages and salaries, which has foolishly been urged as a remedy for the situation, and every discharge of employees, has inevitably resulted in a diminution of the purchasing power of the country, which, in turn, has lessened the demand for the overabundant supply of commodities of all kinds and caused prices to decline still farther.

NECESSITY FOR A SOUND EXPANSION OF CREDIT

Obviously, the first step toward a return to prosperity was to bring about an expansion of the currency and credit by preventing further bank failures so that, the fear of the people being overcome, the hoarded money would again be put in circulation and the banks, being made secure against runs by depositors, could begin again to extend credit to the business men of the country. In order to accomplish this object, Congress enacted on the recommendation of President Hoover the Reconstruction Finance Corporation and the Steagall banking bills. There is also pending legislation to provide for the immediate payment to depositors of closed banks.

HOARDING BY THE BANKS

In spite of the fact, however, that the banks have been assured of Government support through the media of the Reconstruction Finance Corporation and the Federal Reserve Board, they have not responded to the demand for loans, but have continued to hoard their currency on the plea that they must remain liquid for fear of possible runs on the part of their depositors.

FORECLOSURE OF MORTGAGES

Moreover, the banks have been foreclosing on farmers and other home owners who have been unable to meet their interest payments, and are refusing to make new mortgage loans to persons desiring to build homes. To remedy this situation, on the President's recommendation additional funds have been provided for the farm-loan banks, and the Committee on Banking and Currency of the House of Representatives has reported the Federal home loan discount bank bill now before us which, if enacted, as it should be, at the present session, will afford needed relief to the home owners of the country.

BALANCING THE BUDGET

All of the foregoing remedies rest upon the credit of the Government of the United States, which for the past two years has incurred a constantly increasing deficit in its running expenses, due to a tremendous falling off in the revenue derived from the tax on incomes. Up to the present time this deficit has been met by the issue of Treasury notes and bonds. As a result some of the issues of Government bonds have depreciated, necessitating an increase in interest rates. It is perfectly evident that this condition of affairs can not go on, and that unless the credit of the Government is to be seriously impaired, the Budget must be balanced by cutting down expenses and by increased taxation. The Bureau of the Budget recommended a decrease in expenditures for the next fiscal year of \$365,000,000 over the expenditures for the present fiscal year.

The Committee on Appropriations of the House of Representatives cut the Budget estimates \$155,662,816.56, which, with the estimated cash saving in the so-called economy bill of \$42,000,000, makes a total saving of \$562,662,816.52.

REORGANIZATION OF THE EXECUTIVE DEPARTMENTS

President Hoover has repeatedly recommended a reorganization of the executive departments in order greatly to reduce expenses and at the same time increase the efficiency of administration. In a special message to Congress early in the present session he asked Congress to give him the authority to consolidate, eliminate, and coordinate the executive departments and bureaus. In accordance with the President's repeated recommendation, I introduced H. R. 9492, similar to a bill introduced by me in the last Congress, which reads as follows:

A bill to authorize the President of the United States to reorganize the executive departments of the Government, and for other purposes

Be it enacted, etc., That the President be, and he is hereby, authorized and empowered to remove from office such officers and employees originally appointed by the President or by the head of a department as may be deemed by him to be unnecessary or useless in the conduct of the Government's business, except judicial officers, whether or not such employees have been appointed from lists prepared by the Civil Service Commission and regardless of any classification heretofore established by said commission; and the President is hereby further authorized and empowered to abolish any or all of such offices thereby made vacant and to abolish any or all departments, divisions, bureaus, and commissions by him found to be unnecessary for the proper and economical conduct of the Government's business.

SEC. 2. That the President may, after the completion of the reorganization of any department or any division or bureau thereof, restore by proclamation to the classified service any such department, division, or bureau.

SEC. 3. That the President is hereby authorized and empowered, during or after the reorganization of any department, bureau, division, or commission, to appoint by and with the advice of the Senate such employees and officials as he deems best for the public service, and to establish by proclamation any new department, division, bureau or commission that he deems necessary for the conduct of the public business; and the President is further authorized and empowered to transfer divisions and bureaus from one department to another, and to consolidate or combine departments, divisions, bureaus, and commissions one with another as he deems best for the public service; and the President is further authorized and empowered to create a Central Purchasing Bureau that shall have exclusive power to make purchases for all Government departments, bureaus, divisions, and commissions.

SEC. 4. That the President shall exercise the power and authority hereby invested in him, without regard to or recommendation of or restriction of, any existing law, regulation, or classification: *Provided*, That all authority granted to the President herein shall cease two years from the date of the passage of this act: *And provided further*, That all changes in the organization of the executive departments and commissions, or in the personnel thereof, made by the President in accordance with the provisions of this act, shall have full force of law until altered, amended, or repealed by act of Congress.

UNIQUE QUALIFICATIONS OF PRESIDENT HOOVER

The enactment of such a bill would have solved the whole question of economy in governmental expenditures. We are fortunate in having as President of the United States in this crisis a man with an unusual capacity for and wide experience in executive administration. As directors of the Republic, owing a plain duty to the people of the United States who are its stockholders, Congress should have en-

acted this legislation early in the session. Loath to give up any of its power over details and raising the same question of the unconstitutionality of a delegation of legislative power that has been futilely urged against the laws creating the Interstate Commerce Commission and the Tariff Commission, the House simply incorporated in its so-called "economy bill" the form of my bill, but so emasculated that its enactment will be of no practical value in the present emergency. Moreover, the titles of the economy bill incorporating the bills creating a public works administration and consolidating the War and Navy Departments, both of which proposals were before the Committee on Expenditures in the Executive Departments, of which I am a member, were so drafted as to result in an increase instead of a saving in governmental expenditures.

INCREASED TAXATION

If Congress had been willing in the early part of the session to give the President the authority which he desired to reorganize the executive departments, much of the increase in taxes required to balance the Budget would have been unnecessary. As it was, however, the Committee on Ways and Means of the House of Representatives was confronted with the task of raising over \$1,100,000,000 of additional revenue.

After an exhaustive investigation they unanimously but with reluctance recommended a moderate manufacturers' sales tax of $2\frac{1}{4}$ per cent in addition to the increase in income and inheritance tax rates that would raise the maximum amount of revenue. The bill which the committee reported, like the Reconstruction Finance Corporation and Steagall bank bills, were nonpartisan measures reported in accordance with the recommendations of a Republican President just as similar nonpartisan measures were passed on the recommendation of a Democratic President during the World War.

UNFORTUNATE DEFEAT OF THE GENERAL SALES TAX

Unfortunately, however, owing largely to the powerful influence of the Scripps-Howard papers, such an antagonism was aroused against the sales tax that it was defeated. This necessitated the substitution of burdensome excise taxes on particular industries and nuisance taxes which were so obnoxious during the war in the endeavor to raise the necessary revenue to balance the Budget. Moreover, both in the House and Senate there were inserted tariff duties ostensibly for the purpose of raising revenue but in reality for the purpose of prohibiting foreign imports from coming into competition with certain domestic industries. Strangely enough the most vehement advocates of these embargo tariff duties have been members of the Democratic Party who have bitterly assailed the moderate duties of the Hawley-Smoot bill and who have advocated the tearing down of our protective tariff in the interest of our foreign trade.

RECORD OF THE HOUSE TO DATE

The House of Representatives has thus passed all the appropriation bills, except the second deficiency bill and the so-called "economy bill," making a total saving of over \$562,000,000 in Government expenditures over the present fiscal year. It has also passed a revenue bill which has been somewhat improved and made less burdensome to business in the Senate and in conference between the two branches. The conference report on this bill has been adopted by both Houses and the bill has been signed by the President. In other words, in spite of the unfair attacks upon its membership, the House of Representatives with promptness and dispatch did its part in balancing the Budget. The delay that has been universally complained of has been entirely due to the inaction of another body, which has the unique distinction of being the only parliamentary body in the world that has no effective means of limiting debate.

QUACK REMEDIES

I stated in my opening remarks that when a person is taken ill, quack remedies are often suggested by well-meaning friends that are certain to render the condition of the

patient worse rather than better. In the present "repression," as Amos calls it, there are three such remedies to which I desire to call attention.

First. It is seriously urged that we should immediately repeal or greatly reduce our protective customs duties on imports from abroad, and bitter attacks have been made in both Houses of Congress against the iniquitous Hawley-Smoot bill enacted by the last Congress. With the possible exception of the McKinley Tariff Act of 1890 no law has been so misrepresented as the Hawley-Smoot Tariff Act.

Of all the thousands of items in the existing tariff laws only about one-fifth were changed at all. Where increases in duties were made, they were justified by conditions and in many cases were inadequate to prevent the closing of American industries. I can say without fear of successful contradiction that if the Hawley-Smoot bill had not been enacted when it was, in New England there would be twice as many persons out of work as there are at the present time; and the same is true to a greater or less extent throughout the country. Moreover, under the improved flexible provisions of the law, if any particular duty is too high, the President on the recommendation of a bipartisan commission can reduce the rate of duty or vice versa. The best proof, however, of the fact that the proposed drastic reduction of tariff duties is a quack remedy lies in the fact that the Democratic leaders who have so vehemently advocated it, now that they have the power, do not dare to try it in the present crisis for fear that it will make the patient worse instead of better.

The second quack remedy that has been suggested is to so-called "debenture" or export bounty on agricultural commodities to aid the farmers. One great trouble with American agriculture has been an overproduction of certain staple commodities, such as wheat and cotton, and the same thing has been true of oil and other mineral products. In my opinion, the inevitable result of an export bounty would be to encourage more overproduction.

I have already referred to the fact that the worst result of the World War, so far as this country is concerned, was the overexpansion of our agricultural and manufacturing industries. In 1914 we were suddenly called upon to supply the allied countries with the things that 30,000,000 men who were called to the colors had produced. It was inevitable that just as soon as the war was over and those countries began to produce again for themselves our foreign export trade would fall off by leaps and bounds. Moreover, the European countries were bound to enact tariff acts of their own, just as our own country did in 1789, both for the purpose of raising revenue and for the protection and encouragement of their own industries. This, and not our tariff policy, is the sole cause of the decline in our export trade.

The third quack remedy that has been urged is a drastic reduction in wages and salaries. While in cases where salaries and wages were abnormally high, reduction might have been wise, the effect of the general policy of wage and salary cutting that has been going on throughout the country, instead of improving conditions, has steadily made them worse. Every time the storekeepers of a community cut the wages of their employees, they simply diminish the purchasing power of the community, their sales fall off, more employees have to be discharged and another cut becomes inevitable. If they keep on long enough, they will simply put themselves out of business.

To his everlasting credit be it said that President Hoover has never advocated any general reduction of wages any more than he has advocated the other two quack remedies.

REAL REMEDIES AND CONCLUSION

But what can be done to remedy the present distressing situation?

In the first place adequate relief by a sane and comprehensive plan, such as has been suggested by President Hoover, must be provided for taking care of the millions of unemployed men and women and their families.

In the second place the credit of the Government of the United States must be maintained unimpaired by balancing

the Budget by means of wise economies in administration and by increased taxation that is least burdensome to the country. To accomplish this I again urge that Congress empower the President to reorganize the executive departments in accordance with the provisions of my bill, H. R. 9492, and I sincerely regret that the manufacturers' sales tax was not incorporated in the revenue bill which has just been enacted.

In the third place we should recognize the futility in competing in the markets of the world in the production of commodities which other countries can produce much more cheaply for themselves and confine our production of those commodities to the protected American market which has always consumed over 80 per cent of all we produce, confining our export trade to those things in which we are ahead of other countries, and which other countries therefore desire to purchase. This can be accomplished by the encouragement of cooperative associations and the limitation of production with the possible application, in the case of agriculture, of some such device as the equalization fee.

In the fourth place, no return of prosperity can be hoped for until there is a rise in commodity prices. The reason why prices of commodities are so low is because the farmer and the manufacturer are making no profit, but on the contrary, are selling their products at a loss. Now, prices depend upon the amount of money and credit in circulation. At the present time, there is a contraction or deflation due to the hoarding by the people on account of bank failures and by the unwillingness of banks to extend credit. Both of these phenomena are due to fear. Fear is the greatest deterrent to recovery from disease whether it be physical or economic. This fear must be removed. It was in order to remove this fear that the Reconstruction Finance Corporation and the Steagall banking bills were passed by Congress. Moreover, the Federal Reserve Board has been carrying out the policy directed by the Goldsborough stabilization bill in an effort to expand the currency. If the banks continue to hoard their funds on the plea that they must remain liquid, in spite of the fact that the Government is doing all it can legitimately do to protect them, then in addition to the enactment of the Federal home loan bank bill now before the House, it may be necessary to expand the currency safely by the purchase of silver with the issue of Treasury certificates, behind each of which shall be a gold dollar's worth of silver bullion, as suggested by the gentleman from Nevada [Mr. ARENTZ]. This would provide an expansion of the currency without jeopardizing the gold standard.

Finally, we must reorganize our whole banking system by compelling all banks to join the Federal reserve system, with very much more stringent requirements for the maintenance of reserves, or by permitting branch banking, or by both these expedients, to the end that the savings of the people shall be safe. The fact that throughout this world-wide depression there have been no bank failures in Great Britain, where there are a few large banks with branches throughout the kingdom, is a phenomenon worthy of serious consideration.

Moreover, our whole economic system must be so reorganized that the owners of capital and the consuming public shall no longer reap the entire benefit of the installation of labor-saving machinery. To bring this about reserves against unemployment must be created by industry or a 5-day week and a shorter workday must be inaugurated. If necessary, both these expedients must be resorted to in order that the distress and suffering incident to unemployment on a large scale shall be eliminated once and for all in this favored land of opportunity.

In short the great mass of our people must have the satisfaction of enjoying not only the necessities but also the comforts of the American standard of living during their working years, and the reasonable certainty of security in their old age; or, to use the language of our able and far-seeing President, "Undeserved poverty must be abolished," if our American system of constitutional government with its

fundamental principles of individual liberty and individual initiative is permanently to endure. [Applause.]

Mr. EATON of New Jersey. Mr. Speaker, I welcome the appearance of this legislation before the House as perhaps the first legislation during this entire session that begins to reach the people who are actually in need. I am not sure that this objective will be successfully achieved, but we are at least taking a step in the right direction.

In my home State I have been following the tragedy of home foreclosures. Whole pages of local papers given over to announcements of homes being sold at sheriff's sale—obituaries of all that men hold most sacred in life. In one community I recall 23 foreclosures of little homes in one week. Up to that moment those 23 homes were 23 anchorages to windward, real and effective social insurance of our whole economic and social structure. The day those families were set out in the street you had 23 rebels, and fully justified in their rebellion, against conditions over which they had no control and which undermined every vestige of loyalty and confidence which they had in the institutions of their own country.

I sincerely hope this bill will become law to-day and that we will pass it on to the Senate and that the relief which it promises will be speedily applied to that great group of people in this Nation who are its backbone, the owners of little homes, not the palaces of the rich, not the hovels of the proletariat, but these little homes that represent all that is sanest and best in our American life.

We are working under two delusions in this country. The first is that a part is greater than the whole. Here we have been for six months wrestling with groups and cliques who have been determined to have passed into law something that would benefit them, regardless of its effect upon the Nation as a whole. It would seem that we no longer represent individual citizens but organized minorities, hunting like wolves in a pack and threatening dire retribution if their behests are not obeyed.

The second delusion is that Government can now do for the American people what for 150 years they have been doing for themselves. We have built up here the greatest social structure the world has ever seen. It has given the common man the largest opportunity in life, the highest level of comfort, the widest freedom, the most absolute justice. We are the most hopeful experiment in social progress that the world contains, and we have built up this vast and complex structure on American principles, the principle of individual initiative, of private ownership of property, of equality of opportunity, and legal status for all. We began with the notion that no government ought to do anything for a man that he can do for himself. To-day we have reached a time of chaos, distress, and fear, and everywhere every class of Americans are turning to their governments for assistance and control instead of turning to their own resources and their own powers in the fashion of their fathers.

Mr. KELLER. Will the gentleman yield?

Mr. EATON of New Jersey. I can not yield now. I want to pursue this subject further, and in the few moments allotted to me leave these gems of thought with you.

Mr. Speaker, I have here, and I hope the Chair will permit me to present it because it is the utterance of a dear friend of his, this statement from the Washington Times, appearing at its masthead:

The Washington Times and other newspapers owned by William Randolph Hearst demand on behalf of their readers that the Government give the veterans jobs or the bonus now.

What does he mean by the Government? No government has anything to give away. All any government can spend, it has to take out of the taxpayers if they can stand it, and Mr. Hearst, who nominated our distinguished friend for the Presidency—which may have been more of a liability than an asset—Mr. Hearst, whether he knows it or not, means by the Government the taxpayers of this country. The taxpayers of this country are in revolt now; they have got about all that they can stand. The Government to-day in

this country, if we are to remain America, will have to abandon the Russian idea of taking charge of the people, and we must begin again to let the people do under their own power and with their own resources what they have done for 150 years—create, develop, and preserve the things that make life precious and worth while.

Mr. KELLER. Will the gentleman yield?

Mr. EATON of New Jersey. If the gentleman desires to help me in this speech, I will be glad to yield.

Mr. BLANTON. He is a theorist; I would risk him.

Mr. EATON of New Jersey. Is he really a theorist?

Mr. BLANTON. Yes.

Mr. EATON of New Jersey. In spite of that damaging accusation, I will run the risk of one question if it is not too long.

Mr. KELLER. Can the gentleman tell us what caused this depression?

Mr. EATON of New Jersey. My beloved brother, if I could answer that question, I would be the wisest man in the world, but I will tell you what caused it, in my judgment.

Mr. KELLER. I wish the gentleman would tell us.

Mr. EATON of New Jersey. I believe that the world stands to-day in the twilight zone between two ages, the old age in which for centuries we have been building nations, and a new age in which mankind has got to build a world. This new age, under the inspiration of the Christian religion and the progress of scientific knowledge, has been made necessary by a changed emphasis in social thinking. The time is here when the human being as such has achieved a new value in the thought of men in public and private life, and from now on the new political and social principles and the new economic principles will put the man before the dollar. [Applause.]

Mr. BLANTON. Can the leopard change its spots in the Republican Party?

Mr. EATON of New Jersey. Now, friends, the gentleman from Texas is always most generous to all of us. He persists in helping us right through every one of our speeches with absolute impartiality; but I am going to ask him to make an exception and let me toddle through this statement on my own feet and under my own power.

Mr. BRITTEN. Will the gentleman yield for a question?

Mr. EATON of New Jersey. I yield.

Mr. BRITTEN. Does not the gentleman seriously think the World War is about 95 per cent responsible for the condition of the world to-day?

Mr. EATON of New Jersey. I think the World War was the inevitable explosion of a worn-out social, political, and economic structure which has crashed in every country and in every civilization. The World War was the tearing down of the old buildings which had become too cramped to house an expanding civilization. In the period of inflation and deflation, of confusion and distress since the war, the world is trying to determine what kind of a new building will best meet our needs.

I believe that in the long march down the ages man has been making progress toward the light, and out of this present gloom, out of this chaos and suffering there will come a golden age in which men shall count more than money and humans more than institutions. [Applause.]

Gentlemen, you and I stand at the crossroads. I hate this abominable governmental despotism that Mr. Hearst proposes to fasten on us. It is un-American, and right here we have got to make up our minds once and for all as to whether in the long future we are going to follow those American principles that have made us the hope of the world or whether we shall adopt Russian principles. [Applause.] As for me, I choose the principles that have made us what we are to-day. I am not willing to have the Government everything and the citizen nothing. I prefer the ancient American plan of keeping the Government the servant of the citizen and not his master.

With these inadequate remarks I will conclude, and I yield back the remainder of my time.

Mr. POUL. Mr. Speaker, I yield the remainder of my time to the gentleman from Alabama [Mr. BANKHEAD].

The SPEAKER. The gentleman from Alabama is recognized for five minutes.

Mr. BANKHEAD. Mr. Speaker, we have had manifested here this morning an evidence of how some gentlemen, who are seeking the opportunity to find excuses, may seize upon a very innocent episode or incident in order to undertake to turn the matter to their own partisan political advantage.

Beside me in this seat sits a gentleman—an honored Representative of his people—who has served in the House of Representatives for almost a third of a century. I dare say there is no man in this House freer from unworthy partisanship than the distinguished gentleman from North Carolina [Mr. POU]. [Applause.] He is a man who has served his country, his people, and humanity.

Simply because, forsooth, in presenting this rule this morning he took occasion to depart from a discussion of the mechanism of the rule and the proposed bill to assert what he felt was an imperious necessity resting upon the Congress of the United States to undertake in the closing hours of the Congress to do something to make it possible for the Chief Executive of this country to prevent starvation in America—and that is all he said—the gentleman from Michigan [Mr. MICHENER] seized upon it as a predicate for saying that politics had been injected into this debate. The gentleman from North Carolina did not mention the name of the President of the United States. The gentleman from North Carolina did not mention any man who was opposed to the principles he asserted. All he did say, in substance and in spirit, was to express the impulses of a great heart that the representatives of the American people in this hour of desperation should not overlook what he conceived to be their duty to make some provision against the desperate days that might lie ahead of us. [Applause.]

Then my able and genial friend from Indiana [Mr. PURNELL] took up the echo and deprecated the injection of politics into this discussion and he himself laid an indictment against the Democratic administration of this House and of the Committee on Banking and Currency. He said that although the President had suggested this legislation in December last that those who are responsible for the control of the House had waited until the 10th day of June to bring it here for consideration. I charge the gentleman from Indiana to go over to the other Chamber and consult with his senior Senator whom, I imagine, the President requested to introduce this identical bill in the Republican Senate last December, and up until this good day it has not even been reported out of the committee in the Senate of the United States. [Applause.]

Mr. PURNELL. Will the gentleman yield?

Mr. BANKHEAD. I yield.

Mr. PURNELL. I will say to the gentleman that I have consulted with my senior Senator almost every day and he phones me at least twice a day urging action by the House on this bill.

Mr. BANKHEAD. But the gentleman did not castigate the senior Senator from Indiana or the Republican organization of the Senate for their delay, whereas it is stated that the Democratic organization of the House has been remiss in the discharge of its duties as regards this important legislation.

That is but characteristic of everything that has occurred in this Congress from the very beginning, namely, that of undertaking to disparage and to discredit by innuendo and false statements, particularly in the press of this country, that we were not attempting, for partisan reasons, to cooperate with the administration in the discharge of our duties to the American people.

I am willing to discuss politics, as far as I am concerned, if the opportunity offers, from now until the close of this session—however, not to the disparagement of the passage of necessary legislation, because I think the American people in this campaign are going to want to hear a great deal about politics, and I think my friends on the other side are well within their prudence in seeking to put the soft

pedal on any discussion of the frailties of the administration. [Applause.]

The SPEAKER. The time of the gentleman from Alabama has expired. The question is on agreeing to the resolution.

The resolution was agreed to.

DONATION TO THE VETERANS

Mr. LaGUARDIA. Mr. Speaker, I ask unanimous consent to make a statement for about one minute. It is a rather cheerful statement.

The SPEAKER. The gentleman from New York asks unanimous consent to address the House for one minute. Is there objection?

There was no objection.

Mr. LaGUARDIA. Mr. Speaker, I have just been informed that \$5,000 has been donated to the veterans who are here in Washington by the Rev. Charles E. Coughlin, of the Church of the Little Flower, of Detroit. Father Coughlin is well known throughout the country, and it might well be stated that he is a real progressive. I think the reverend doctor is to be thanked and congratulated for his patriotic and generous act. [Applause.]

JOHN HANSON, PRESIDENT OF THE CONTINENTAL CONGRESS

Mr. LONERGAN. Mr. Speaker, I ask unanimous consent to extend my remarks in the RECORD.

The SPEAKER. Is there objection?

There was no objection.

Mr. LONERGAN. Mr. Speaker, early American history has repeated many times the romantic story of colonization, has unfolded with scholarly application the founding of Virginia by the Cavaliers, the settlement of New England by the Puritans, of Maryland by the Catholics under Lord Baltimore, of the Carolinas by the Huguenots, of New York by the Dutch, and of Pennsylvania by the Quakers. Almost obscured in the annals of the Nation is the equally romantic story of that band of hardy souls who set out in accordance with a plan proposed by their late king, Gustavus Adolphus, to found a new colony on the American seacoast to be known as New Sweden.

It is not the purpose of this address to go into the history of their early struggles but only in passing to record the fact that such a colony was established on the Delaware River in 1638, that it was augmented in 1642 by a group led to these shores by Johan Printz in 1643, that the colony expanded and pushed into Maryland and that the grandson of a member of that latter group was destined to play one of the stellar roles in the young Nation's struggle for independence. It is to this latter personage, John Hanson, who, history tells us, was the first "president of the United States in Congress Assembled," that is, the first President under the Articles of Confederation, that this address is devoted.

In the expedition which sought a foothold in the new world were four brothers, sons of the distinguished Colonel Hanson who fell at Leutzen in Saxony in the same engagement which had cost the life of King Gustavus Adolphus. The youngest of the four brothers, John Hanson established his family in Charles County, Md. His son Samuel was elected a member of the General Assembly of Maryland in 1716 and 1728 and served his community in several other official capacities.

This same Samuel Hanson was the father of the John Hanson about whom this address is centered. From his father no doubt John Hanson derived those distinct marks of character which brought him to a high place in later years among his countrymen. Always devoted to the highest ideals of service, stalwart and unmoved in the face of opposition, courageous and undaunted in any fight which appealed to him as just, the young man quickly ascended to a place of prominence in the stirring days into which fate had thrust him.

John Hanson was born at Mulberry Grove, Charles County, Md., on April 3, 1721. He was a member of a large family, many of whom rendered exceptional service in the cause of the country wherein they had had their birth. Young John himself first came to notice in public life as a

delegate from Charles County to the lower house of assembly, in which he served nine terms. There he acquired that maturity of mind which thereafter was to remain a marked characteristic of his personality. A man of great personal magnetism, sound judgment, intellectual, honest, he won for himself a considerable following when with his family he took up his residence in Frederick County.

Through his leadership the growing dissatisfaction of the people with the oppressive British rule was crystallized into active revolt. His was the dominating spirit which actuated a small band of patriots in Maryland to openly espouse the cause of rebellion against "the Crown." The movement, given impetus by him, grew until Maryland had definitely severed all allegiance to the mother country and was actively engaged on the side of the revolutionists. It should be stated that allied with John Hanson was that illustrious patriot and Catholic, Charles Carroll of Carrollton, signer of the Declaration of Independence, one of the country's richest men, who unstintingly gave of his great fortune to the cause of freedom. It is also worthy of notice here that when the State of Maryland was delegated to choose its two most distinguished citizens for honor in Statuary Hall in the National Capitol the State selected John Hanson and this same Charles Carroll.

Under John Hanson's insistence Maryland gave the New England States assurance that its citizens would back them to the limit in their fight against British tyranny. Hanson organized the Association of Maryland Freemen in 1769 which pledged its moral, financial, and armed support, if necessary, to the cause of free speech and colonial resistance to the imposition of taxes without representation. At the Maryland Provincial Convention it was he who determined the course of that body to stand by the other colonies in their grievances against Great Britain. It was he who organized two companies of infantry and sent them to Cambridge following the outbreak of hostilities at Bunker Hill. From that time on he continued zealously in the prosecution of the war by arranging for the manufacture of munitions and army equipment and by organizing every resident of the county as a prospective soldier in the event of war. It was Maryland's participation in an aggressive undertaking of this kind that encouraged the other colonists, more especially those in the South, to join the New England group in its fight for freedom.

During the years 1779 and thereafter we find John Hanson, now approaching the three-score mark, engaged in a wholly new rôle. Maryland, again under his leadership, had refused to sign the Articles of Confederation until the question of the western domain was settled by Congress. George Washington was engaged in the prosecution of the war but in the Halls of Congress John Hanson was also doing battle for a principle, the determination of which was of everlasting importance to the integrity of what has since come to be the United States. Vast lands in the Far West were claimed as the property of such States as Virginia, New York, Connecticut, Massachusetts, and a few others. Hanson maintained that these territories be given for all time to the new country then in the making. Naturally a tremendous outcry arose against such a proposal. A crisis of far-reaching effect on the future of the Nation was precipitated.

John Hanson saw the crisis with its multifarious implications. He appreciated the fact that only through union could the perplexing question be solved. He set to work to remove the obstacles which stood in the way of the principle to which he so stoutly adhered. The Delegates of Maryland in Congress were subsequently empowered to subscribe to and ratify the Articles of Confederation. Hanson and Daniel Carroll, who stood with Hanson throughout the controversy, signed the document on March 1, 1781, which was the beginning of the indissoluble union of the United States. This accomplished, he took up the fight on the western land question, which was eventually settled according to the judgment of Maryland. Out of that vast territory which became the common property of all the States arose the States of Ohio, Indiana, Illinois, Michigan, and a part of Wisconsin.

Three times thereafter Hanson was elected to the Continental Congress, and after his third election was elevated to the position of President of that body. It was in this capacity that he felicitated General Washington following the surrender of Cornwallis at Yorktown. He subsequently retired to private life. Of a clear mind, stout heart, and incorruptible conscience, he had given his score of years in brilliant service to the Nation. He died at Oxon Hill, Prince Georges County, Md., November 22, 1783.

His life, more dramatic in its scope, moving in broader fields of endeavor, and perhaps more richly rewarded, was the epitome of the stalwartness, courage, and vigor of the lives of those who made up that little band of pioneers from the shores of Sweden. America has benefited greatly by the infusion into its life stream of other men and women from that same shore. From Hanson to Charles Augustus Lindbergh, the names of eminent personages of Swedish origin and descent have been placed high upon the honor roll of this Nation's great.

True to their Viking tradition, Swedish officers manned not a few of the ships, particularly those flying the flag of France, during the Revolution. History, to be sure, gives but a scanty account of the naval operations of the period; but that it was essential and of great consequence to the successful culmination of the war there can be no doubt.

Incidentally, it was Sweden which, as a neutral nation, first recognized the independence of the United States. On April 3, 1783, that country signed a treaty of amity and commerce with the new Nation.

During the conflict General Washington had under his command any number of officers and men who were direct descendants of the Swedes of Delaware. From extant records it is concluded that about 70 officers were in the Continental Army. Two of these, Count von Fersen, aid to Rochambeau, and Colonel Von Stedingk, were elected to the Order of the Cincinnati, of which Washington was the first president. Baron von Fock, Baron Nordenskjöld, Magnus Daniel Palmquist, Carl Raab, and the distinguished John Morton, signer of the Declaration of Independence, were but a few of those whose names were indelibly inscribed on the roll of honor.

It was the late President Wilson who, in writing on the memorial to Capt. John Ericsson, inventor of the *Monitor*, that "cheese box on a raft" which did so much to turn the course of the Civil War, stated:

It is pleasant to think how the United States has been enriched by the character and services of men of Swedish birth or extraction who have made this country their home and the object of their loyal service.

In Philadelphia, on June 5, this year, at the dedication of the John Ericsson room of the John Morton Memorial, John M. Morehead, American minister to Sweden, reminded his audience that "more than one-quarter of the Swedish race lives in America, and Chicago and Minneapolis are, respectively, the third and fourth largest Swedish cities in the world." Congressman CARL A. CHINDELOM, of Illinois, was one of the principal speakers at this event.

Any recital of the contributions of the Swedes to the life of America must, of course, include the names of the intrepid warriors, General Stolbrand and Rear Admiral Dahlgren, who cast their lot with the forces of the North for the preservation of the Union during the Civil War. In the recent World War the names of Swedish patriots were legion.

Not in war alone, however, have the Swedes of the United States attained distinction. Their contribution to literature and the arts in general has been great. The names of Jenny Lind, Christina Nilsson and, in our own day, Greta Garbo and Marie Sundelius, of operatic fame, at once come to mind. In statecraft, too, they are to be found in positions of eminence. Two States, Minnesota and Montana, have as their governors men of Swedish ancestry. They are, respectively, Governors Floyd B. Olson and John E. Erickson. Former Governor John Johnson, of Minnesota, of course, has not only a place in the history of his State but in that of the Nation as well.

The Swedish people have added their great talents and genius to the complex social phenomenon called America. Industry in the East has had the advantage of their skill and mechanical aptitude. The far reaches of the West have been turned into fertile and prosperous lands under their patient and caressing hands. Legislative halls, State and national, have rung with their glowing oratory in defense of those essential American principles to which each and all have given their allegiance. From John Hanson to our own distinguished contemporaries, they have acquitted themselves as a great people.

FEDERAL HOME LOAN BANKS

Mr. STEAGALL. Mr. Speaker, I move that the House resolve itself into the Committee of the Whole House on the state of the Union for the consideration of the bill (H. R. 12280) to create Federal home loan banks, to provide for the supervision thereof, and for other purposes.

The motion was agreed to.

Accordingly the House resolved itself into the Committee of the Whole House on the state of the Union for the consideration of the bill H. R. 12280, with Mr. CELLER in the chair.

The Clerk read the title of the bill.

Mr. STEAGALL. Mr. Chairman, I ask unanimous consent that the first reading of the bill be dispensed with.

The CHAIRMAN. Is there objection to the request of the gentleman from Alabama?

There was no objection.

Mr. McFADDEN. Mr. Chairman, if the gentleman from Alabama [Mr. STEAGALL] will yield, I now yield 30 minutes of the time allotted to me to the gentleman from Kansas [Mr. STRONG] to yield as he sees fit to those in favor of the bill.

Mr. STEAGALL. Mr. Chairman—

Mr. BLANTON. Mr. Chairman, this is a very important speech and I make the point of no quorum.

The CHAIRMAN. The Chair will count.

Mr. BLANTON. I withdraw the point, Mr. Chairman.

Mr. STEAGALL. Mr. Chairman, I think my statement will not be controverted when I say that during this unusual session of Congress I have not wasted the time of this House in the discussion of politics. I do not believe any committee of Congress that ever assembled at any time in our history, and I say this remembering the trying days of the World War—ever worked more industriously, more unceasingly, or with less manifestation of partisanship than the Banking and Currency Committee of this House has worked during the present session.

Our committee has not delayed any legislation. We met in December. The committees of this House were named on Tuesday, on Wednesday the Banking and Currency Committee took up the Federal farm loan legislation and considered it in committee, on Thursday we reported the bill, and on Saturday we took up the bill in the House and it was passed and sent over to the Senate.

The House Banking and Currency Committee prepared and presented to the House and the House passed the Reconstruction Finance Corporation act ahead of the Senate, and the measure as it was enacted into law was the House bill that bears the number and the name of a Member of this House under which it was introduced.

The same was true of the so-called Glass-Steagall bill.

So it is with the bill before us to-day. The Banking and Currency Committee of the House, the larger legislative body, where there are more difficulties and more reasons for delay, has brought the bill before the House ready for passage, if you see fit to pass it, while it is still slumbering in committee at the other end of the Capitol, now under the control of the Republican Party and its administration. [Applause.]

The plain fact is there is only one charge of delay that can be justified against anybody who is in a position of responsibility in connection with the unhappy situation that confronts the country. That charge can only be lodged against the President. I do not say this in any spirit of

harsh criticism; I appreciate his difficulties and the trials through which he is passing at this time. As a good citizen and as a Member of the legislative branch of the Government, I want to support him, and I do not desire to add to his problems or to his difficulties; but the record shows that the President of the United States is responsible for several months of delay. Although urged by Democratic leaders and the public, he waited throughout last summer and fall to give the Congress an opportunity to meet and go forward with the relief program which he had announced to the country.

This is the history of the matter. I have supported the President in all his general suggestions except one.

I did not support the program of our debtor nations in Europe and the international bankers who speak for them here in urging postponement or repudiation of the debts due the people of this country by our allies. These debts represent loans made to them to support their armies when they were engaged in a struggle for the preservation of their lives. If there ever was an obligation, moral or legal, that ought not to be repudiated, it is this one, and I believe the economic difficulties of this country and the world were aggravated by the program put over by the international bankers who committed this country, at least temporarily, to the postponement, if not to a repudiation, of these obligations.

The governments of the world should set an example of good faith. They should never have declared their inability to meet their obligations. It was not true, in the first place, and it was not good policy. It has accentuated the difficulties under which we suffer in the United States and throughout the world. I am against it. I am not a communist. I am not a communist here, I am not a communist abroad, and this doctrine that we should give to everybody across the sea who happens to claim he is in distress, this proposition that when some other nation is not able to pay its debts we have got to come in and share their burdens; this doctrine that we are all one and we all stand and fall together, and that their problems are our problems, and their obligations are our obligations is nothing but sheer, downright international communism! I repudiate any such doctrine as a domestic principle and I repudiate it as an international policy.

I followed the President with a great deal of difficulty in the effort to enact the legislation embodied in the bill before us. I will state to the Members of the House that one of the most difficult tasks that has ever been assigned to the Banking and Currency Committee since I have been a member of it was in the effort to put this bill into workable form. I am heartily sympathetic with the purpose of the legislation, as I am sure most of the Members of the House are. I want to do anything in my power that will enable the home owners of this country to continue to own their homes. There are some left who are at least in possession of their homes, and I share with you the desire to assist in any practical measure that will help them to continue to use them as shelters for their children, whether they ever own them or not. Nothing is more inseparably linked with our future welfare and all that patriots hold dear than independent home ownership. It makes for the development of the qualities of morality and patriotism that will preserve our institutions.

Unhappily, home ownership is on the decline. Home owners in towns and cities, like the home owners on our farms, are being driven from shelter, and their homes sacrificed in this period of depression, involving losses to the companies holding home mortgages as security as well as citizens, who are borrowers. All this is due to the nation-wide breaking down of credit. Home ownership and home life, both in the towns and on the farms, are being undermined. I hope that this legislation will meet with a better fate in its administration than has the legislation we passed in the early portion of this session of Congress, designed to save the homes of the farmers of this country.

The Congress amended the Federal farm loan act to provide methods and appropriated \$125,000,000 to supply the

means to enable the Federal land banks to use common sense and leniency in conducting foreclosures. The purpose was to save the homes of the people and avoid unnecessary and inexcusable losses to the land banks. But the law has not been administered as Congress intended. It has been perverted or disregarded.

There are fewer mortgages being carried by Federal land banks than were carried last November and the banks have less mortgages outstanding than they had then. In addition the land banks have more lands on hand than they had then. This is the result of an administration of the banks conducted with first consideration for the bondholder instead of the farmer home owner of the United States. I am going to support this bill in the hope that it will be more sympathetically administered than the legislation for the aid of farmers who are indebted to the land banks and that will give some measure of relief to home owners throughout the country who are threatened with foreclosure.

In order to hasten the proceedings, with the stupendous program of legislation pending in the Committee on Banking and Currency, we have had four subcommittees at work at the same time, and one of the subcommittees prepared the bill before us. The distinguished gentleman from Wisconsin [Mr. REILLY] was chairman. He has given able and earnest consideration to the measure and I am going to permit him to follow me in this discussion. I now yield to the gentleman from Wisconsin [Mr. REILLY]. [Applause.]

Mr. REILLY. Mr. Chairman, the pending measure is designed to carry out one of the recommendations made by President Hoover in his message to the Congress of the United States last December in the fulfillment of his program for the bringing about of a revival of industry.

This bill is intended to create a system of Federal home-loan banks that will serve the home-mortgage institutions of the country as the Federal reserve system serves the national banks of the country. This measure is intended as emergency legislation deemed necessary as a result of the present financial and industrial situation and also as a permanent legislative enactment to encourage home owning in the country, by giving the home-mortgage institutions an opportunity to borrow money on their assets to a greater extent than is possible under present banking and borrowing conditions.

I take it that every well-informed citizen is favorable to any legislative program that will aid in home ownership. Statistics indicate that home ownership in the United States is declining and that we are drifting into a Nation of tenants. The principal reason assigned for this unfavorable situation is the lack of a sufficient amount of low-cost, long-term installment mortgage money. At the present time there are more than \$20,000,000,000 of mortgages on the small homes of our country. About eight billions of these mortgages are held by building and loan associations, and the balance by banks, insurance companies, and private investors.

Home mortgages constitute sound securities; but because of the depressed conditions and because of the existing financial situation, particularly as regards the loaning attitude of the banks, many of these home-mortgage institutions are in need of financial assistance in order that they may continue to function, and such assistance is intended to be given to these institutions by the pending bill.

The largest number of home-mortgage institutions are represented by the building and loan associations and similar cooperative institutions. These institutions number about 12,000.

The building and loan associations have two classes of membership, the investing membership and the borrowing membership, of which there are about 10,000,000 of the former and 2,000,000 of the latter. Many of the 2,000,000 borrowing members of the building and loan associations are unable to keep up their payments because of unemployment, and many of the investing members of these institutions, also because of the unemployment situation, are in need, for living purposes, of the funds that they have invested in these home-building institutions, but because of

the present financial situation these organizations have no funds with which to meet such withdrawal demands.

This situation arises largely from the fact that the banks are refusing to loan to such institutions, and, in fact, are calling loans already made.

A similar bill to the measure now before the committee is pending in the Senate. A subcommittee of the Senate and the House conducted extensive hearings on these bills, at which hearings some 83 witnesses were examined; 61 witnesses representing 22 States in the Union appeared for the bill and 22 witnesses representing 13 States appeared against the bill. Twenty-two officials of the building and loan associations appeared in favor of the bill and two in opposition. The active heads of the National Building and Loan Association and many well-known figures in the real-estate field appeared in behalf of the bill. General Dawes, of the Reconstruction Finance Corporation, urged the passage of this legislation. The representatives of the large life-insurance companies and mortgage companies appeared against the bill. The bankers appearing at these hearings stood 6 for the bill and 6 against.

In the fall of 1931, at the invitation of the President of the United States, there assembled in Washington a conference of the leaders in the home-mortgage field in the United States and representatives of the building industries. This conference approved the plan for the creation of a system of Federal home-mortgage banks as provided in the bill now before the committee.

Last January, in order to find out the needs, if any, for legislation, such as we are considering, the Secretary of Commerce sent out questionnaires to about 8,000 banking institutions and mortgage-loan companies of the country to get their views on the legislation proposed in this bill. The questionnaire contained the following four questions, which are particularly significant:

1. Would the facilities provided by the proposed home-loan discount banks for borrowing on your home mortgages add desirable flexibility and security to the conduct of your institution?
2. Would operation of the discount banks increase the amount of credit now available for legitimate use in your community?
3. Is there a demonstrable need for actual home construction, either new houses or remodeling work, that could be undertaken in your community if credit facilities were widened at the present time? If so, could you estimate the probable extent of such contemplated construction?
4. Would the facilities afforded by the proposed discount banks help to relieve the dangers of foreclosures on urban homes and farms?

The following tables give the answers to these four questions as made by the institutions to whom questionnaires were sent:

	Question 1		Question 2		Question 3		Question 4	
	Yes	No	Yes	No	Yes	No	Yes	No
Total.....	5,898	1,796	6,525	1,974	4,264	4,479	5,935	2,217
National banks.....	1,415	506	1,772	607	1,033	1,291	1,635	613
Building and loan associations.....	1,415	267	1,452	223	1,040	691	1,146	423
Mutual savings banks.....	110	76	110	79	30	181	71	106
Stock savings banks.....	79	35	84	38	53	74	85	44
State banks.....	2,633	764	2,822	901	1,965	1,962	2,759	876
Loan and trust companies.....	217	51	231	57	126	172	208	66
Mortgage bankers.....	29	97	54	69	17	108	31	89

Accompanying the questionnaires sent out to these 8,000 institutions engaged more or less in the home-mortgage business was a statement containing the essential provisions of the bill now before the House.

The answers to the questionnaires sent out by the Department of Commerce clearly indicate that the great majority of the institutions in active touch with the home-mortgage situation are of the belief that the pending bill constitutes needed and beneficial legislation.

These answers, coming from such business heads, ought to settle the question as to the need for the legislation proposed in this bill.

OUTLINE OF THE PROPOSED BILL

This bill provides for the establishment of a system of Federal home-loan banks of not less than 8 or more than 12 in number. The Federal home-loan districts are to be determined by the Federal Home Loan Board provided for in this bill, consisting of five members to be appointed by the President.

Building and loan associations, cooperative banks, home-stand associations, savings banks, trust companies, and other banks with time deposits, except national banks, and insurance companies, if subject to inspection and regulation under the banking laws or under similar laws of the State or the United States, are eligible for membership. The members will supply the permanent capital and upon joining a bank will be required to subscribe for stock amounting to 1 per cent of the home mortgages held by each such member, with a minimum amount of \$1,500.

Eligible institutions in States whose present laws do not permit stock purchase are admitted to borrowing privileges by deposit with the bank of cash or Federal Government securities equal to the amount of the required stock subscription. This will be permissive pending the enactment of State legislation authorizing full compliance by subscribing institutions with the provisions of the act.

The board will determine the minimum capital of each of the Federal home-loan banks, which will not be less than \$5,000,000. As soon as practicable thereafter, the board will open books in each district for subscriptions to the capital stock of each district bank, to be paid for in cash or by certified check. Subscriptions can be paid on a quarterly basis. The amount of the minimum capital not subscribed for by members within 30 days after the books have been opened for stock subscriptions is required to be subscribed by the Secretary of the Treasury on behalf of the United States. It is provided in the bill that the funds for this purpose are to be furnished by the Reconstruction Finance Corporation, in a sum not to exceed \$125,000,000, upon which the Government receives 2 per cent interest. Provision is made whereby, after the amount of capital of a Federal home-loan bank paid in by the members equals the amount paid in by the Secretary of the Treasury, the bank is required to apply annually to the payment and retirement of the capital stock held by the United States 50 per cent of all sums thereafter paid in as capital until all the stock held by the United States is retired at par. The Federal board has full power to retire Government capital earlier, if conditions warrant.

Each of the banks is to have 11 directors, 2 appointed by the Federal board, 3 elected by the small-sized members, 3 by the medium-sized members, and 3 by the large-sized members. All directors are appointive until the members investment is substantial. These 11 directors have the usual and full powers with regard to the conduct of each of the 12 institutions.

All members may borrow from a Federal home-loan bank by placing mortgages with the bank to secure loans. More money is advanced on amortized installment mortgages of a term of eight years or more than is advanced on straight mortgages or mortgages of shorter duration. In no case can the amount advanced by a bank exceed 40 per cent of the value of the real estate. No mortgage on a home of a value greater than \$20,000 is accepted. The banks can not advance to any member an amount in excess of twelve times the amount of the capital subscribed by the member. The bonds issued by each bank are secured by seasoned real-estate home mortgages, with not less than 190 per cent of unpaid mortgage principal behind each dollar of bond issued. Some short-time loans out of capital subscribed by members are permitted without mortgages being placed as collateral, but funds realized from bond issues can not be so loaned.

The board prescribes all the necessary rules and regulations with regard to the bond issue and the conduct of the banks. The board approves or determines the rates of interest to be paid by the banks upon their bonds or borrowings, and a maximum rate of 5½ per cent is established for the

first seven years, after which it is to be 5 per cent. The banks are jointly and severally liable on the bonds; and in order to keep the banks in proper condition to serve their membership, they are required to have an amount equal to the capital subscriptions of their members invested in (1) United States Government securities, (2) deposits in banks or trust companies, and (3) short-term loans to members.

The principal funds of the banks come from (1) capital subscriptions of their members; (2) the issue of long-term bonds, which have limited tax preferences; (3) the initial Government advance, which is to be retired as members come in; and (4) through such deposits as are made in the banks by members only, upon which no more than 2 per cent interest can be paid. These deposits will be entirely of surplus funds of members. The banks are specifically restrained from doing any general banking or commercial banking business. Their functions are confined solely to serving member institutions.

The act requires the banks to accumulate reserves at higher rates than are required in the Federal reserve system. The banks are exempt from taxation and are designated as a depository of public moneys, and their bonds are made legal investments for fiduciary, trust, and public funds.

Broad powers are given to the Federal home loan bank board in regulating the activities of the banks and in providing for the orderly conduct of home-financing activities throughout the country. The board has broad powers in selecting officers, employees, attorneys, and agents, although no compensation is permitted in excess of the salary paid board members. The board has powers of examination and can require periodical statements as well as examinations of Federal home-loan banks and their members. Necessary penalty clauses, and so forth, are provided.

BENEFITS TO FOLLOW PASSAGE OF THIS BILL

If this bill becomes a law, it will enable member institutions of the Federal home-loan banks to secure loans on their seasoned home mortgages, which can and undoubtedly will be used for the following purposes:

- (1) To refinance existing mortgages, so as to permit smaller payments and to accommodate the needs of withdrawing members and depositors.
- (2) To give these institutions funds, permitting them to tide over or carry along worthy borrowers who are having difficulty meeting interest or installment payments.
- (3) To assist borrowers in paying taxes and insurance costs, which must be maintained regardless of conditions.
- (4) To provide funds for modernization, repairs, and maintenance of existing homes, thus increasing employment.
- (5) To provide a source of funds to refinance the thousands of short-term mortgages which have been called for payment due to bank failures and due to like financial institutions converting their resources into liquid funds. Thousands of home owners are in distress for mortgage money to-day.
- (6) For such building of small homes as may be desired and needed in many localities, thus giving employment to those engaged in the building trades.

In connection with this last point a misrepresentation has been circulated concerning this bill. It has been alleged that the design of the measure was to facilitate the construction of 3,000,000 homes. Neither the testimony given before the committee nor a study of the provisions of the measure give any credence to such generalization. True, there may be occasion for some construction, but that will be only incidental and can not come in substantial amount until after the emergency situation is passed.

It is particularly important that the people who have put their savings in the home-financing institutions of the country be afforded relief through this measure and that the dispossession and foreclosure sales on small homes due to the drying up of mortgage money be stopped immediately.

This bill has been designed both to take care of this emergency situation and to function as a permanent institution, thus eliminating to a large extent the probability of a

recurrence of the present distressing conditions in the home-mortgage field.

While the pending bill is intended as an emergency relief measure for home-financing institutions, it is also believed that it will be helpful as permanent legislation in the interest of home owners. Statistics indicate that in the last hundred years more than 8,000,000 homes have been purchased through the aid of these cooperative building and loan associations.

The investment in the homes of our country is a significant and imposing portion of our national wealth. Funds for home builders should be available at low costs and in liberal amounts at all times. The home owners should not be subject to the vicissitudes of the general money market.

The small communities as a rule are without sufficient normal funds for home-financing demands. In years when there has been ample money in some parts of the country there have been high interest rates in other parts.

This proposed home loan bank bill will provide a banking system which will stabilize the home-financing activities of the country and provide a mechanism through which mortgage funds will flow more freely into the areas where it is needed with resulting benefits to present and prospective home owners.

Some years ago Congress saw fit to provide through similar legislation for the organization of the Federal land-bank system and also for the setting up of a system of Federal joint-stock land banks in this country. Both of these institutions, the Federal land banks and the joint-stock land banks, have mortgages in the sum of only \$1,600,000,000, while the building and loan associations and other cooperative mortgage institutions alone have home mortgages in the sum of about \$8,000,000,000. There can be no doubt at all but that the Federal land banks and the joint-stock land banks have been instrumental in lowering interest rates in a great many sections of our country, and thereby have been of benefit not only to the borrowers of these banks but to all the agricultural borrowers.

This bill will furnish to the much larger army of small-home owners in ordinary times borrowing facilities that will be beneficial to the small-home owners and to prospective home owners.

OBJECTIONS TO THIS LEGISLATION

On the hearings on this bill before the Senate subcommittee and the House subcommittee the objectors presented four reasons why this bill should not become a law:

- (1). It further intrudes the Government into private business.

This argument is no more available against the present bill than against the Reconstruction Finance Corporation legislation recently passed by Congress. The same argument was made against the Federal reserve system, the Federal land bank system, and the intermediate credit bank system.

This is emergency legislation demanded by the financial and economic conditions existing to-day in our country.

The bill provides for the gradual withdrawal of Government funds from these banks; and when this emergency is passed, the members of the bank are undoubtedly going to furnish all the capital required to operate the same.

- (2) There is no lack of funds at the present time for the use of home-mortgage institutions, and therefore no necessity for this legislation.

The voluminous testimony taken before the Senate committee and the House committee having consideration of this bill conclusively demonstrates that there is a great demand at the present time for more funds for the use of the home-mortgage institutions of the country. Many of these institutions in the past have depended upon loans from their local banks.

The banks for some time have been refusing to loan money to these institutions, and not only that but in many cases have called loans formerly made. The fact of the matter is that many of the home-mortgage institutions are greatly in need of funds. They have plenty of good securities, but because of the depression they lack liquid funds, and this bill provides a method by which they may secure such funds.

(3) If there is any demand for funds to aid in the functioning of home-mortgage institutions, the Reconstruction Finance Corporation can take care of all such demands.

General Dawes, president of the Reconstruction Finance Corporation, appeared before the subcommittee of the House Banking and Currency Committee and approved this bill.

The Reconstruction Finance Corporation has to date advanced several millions to building and loan associations and has requests for many millions more on file. However, the short-term loan requirements of the Reconstruction Finance Corporation are not adaptable to the needs and demands of the home-mortgage institutions.

Judging by the statements of the leaders of the home-building industries of this country made before the committee of the House and the Senate, the funds that will be required by these institutions are way beyond any sum that could be furnished by the Reconstruction Finance Corporation. It was estimated by competent witnesses that at least \$1,000,000,000 would be required to relieve the home-loan institutions of this country so as to put these institutions in a position so that they could meet the demands for legitimate withdrawals, for refinancing mortgages, for repairs and remodeling of buildings, and for new construction wherever deemed necessary.

(4) That the bill will encourage unhealthy home building.

This statement is wholly unwarranted. There is nothing in the hearings of this bill to substantiate any such a claim. Sound, conservative home-financing institutions are not going to finance a home-building boom to the detriment of investments already made and which they hold.

The funds secured by these home-mortgage institutions from the banks set up by this bill will be used largely for the six specific purposes set forth in the early part of this report.

(5) That the bonds of these banks can not be sold.

If the bonds issued by these Federal home-loan banks can not be sold, no bonds can be sold. These securities will represent prime securities. The borrowing members can not secure advances in excess of 40 per cent of the appraised value of the real estate covered by their mortgages. This means the value at the time the advances are made to the members and not at the time the mortgages were made; and behind every dollar of bonds issued will be 190 per cent of unpaid mortgages. It is submitted that these bonds will represent the best possible securities.

PROPOSED LEGISLATION NOT NEW

Legislation of this character has long been considered. During President Wilson's second administration, under the sponsorship of his Secretary of Labor, Wilson, the first home-loan bank measure was proposed and the Banking and Currency Committees of both Houses considered it at that time. There has been a continued interest in and need for an agency to serve the small home owner and home buyer in the cities and small towns, much after the fashion that the Federal reserve system serves the commercial interests of the country and the Federal farm-loan system serves, or supplies credit to, the farmer. The need for the home mortgage discount banks has been much accentuated by the present economic conditions.

EUROPEAN EXPERIENCE WITH MORTGAGE BANKING SYSTEMS

Most European countries, including France, Germany, and Sweden, have a central mortgage banking system. In general, they contain practically all of the principles that are embodied in the Federal home-loan bank system. Their initial capital has usually been provided by the Government and in several cases the Government directly guarantees their obligations. Principal funds come from the issue of long-term bonds. These bonds enjoy a particularly popular market and sell upon approximately the same basis and interest cost as direct Government obligations. The bonds are backed by the obligation of the issuing mortgage banking system and mortgages used as collateral. Usually the mortgages used as collateral do not exceed 50 per cent of the value of the property and the amount of bonds that can be issued by each system is regulated. Additional funds come from deposits.

There is vigorous Government supervision and governmental agencies are practically in charge of most of the mortgage banking systems. A surprisingly low cost of operation is universal, the entire costs of the long-established systems being paid out of the spread of one-half of 1 per cent to 1 per cent between cost of money on bonds and lending to member institutions.

To a large extent the institutions serve cooperative banks or credit societies, some of them being similar to our building and loan associations. In several of the systems the service of the mortgage banking system is decentralized through branches or banks established in different localities but functioning under the central authority.

The systems make loans of varied duration, although preference, or the larger advances, are made upon amortized or installment loans of long duration rather than upon straight loans. Most of the banks do such general banking business as is closely connected with mortgage banking.

As a result of these mortgage banking systems in Europe, there has been a more even supply of credit for European real estate, and practically without exception the purchasers and owners of real property in Europe obtain their mortgage funds at rates from 1 to 2 per cent lower than those which prevail in this country.

The pending bill may not be a perfect piece of legislation, but the subcommittee and the whole Banking Committee have labored long and faithfully to present to this House what we consider a workable bill. This bill may not accomplish all the purposes for which it is intended, but there can be no doubt at all but that at the present time it will provide relief to thousands of home-mortgage institutions and to millions of men and women who, either as borrowers or investors, have their savings and home mortgages in such institutions.

Mr. HARLAN. Will the gentleman yield?

Mr. REILLY. I yield.

Mr. HARLAN. Did I understand the gentleman to say that when the mortgages were brought to these central banks, Federal banks, those Federal banks would have the power to issue money on those mortgages?

Mr. REILLY. No. These Federal land banks issue debentures on these mortgages, just as the Federal land bank does.

Mr. HARLAN. The other question I would like to have cleared up is, for this money that the Federal Government turns over, does the Federal Government receive debentures, or is this simply a gratuity or an advancement by the Federal Government?

Mr. REILLY. The Federal Government receives a certificate for its advancement and is paid 2 per cent on all money advanced to these Federal home loan banks. We have recently passed legislation giving the Federal land banks \$125,000,000. No interest charge is made on this advancement to the Federal land banks. The committee thought it advisable to put an interest charge of 2 per cent against the banks on all money advanced by the United States Government. The theory is that the Government will be gradually withdrawn from these mortgage banks and that if the system works out as it is intended to work out, it will not be long before the banks will be financed entirely by their own member institutions.

Mr. MAY. Will the gentleman yield?

Mr. REILLY. I yield to my colleague for a brief question.

Mr. MAY. I am inclined to support the bill, but I am just a little skeptical about one feature of it, upon which I would like to have some information, and I am sure the gentleman can give it to me.

[Here the gavel fell.]

Mr. MAY. Mr. Chairman, I ask unanimous consent that the gentleman from Wisconsin be allowed to answer this question. The House wants to know about it, I am sure.

The CHAIRMAN. The Chair will state to the gentleman from Kentucky that unless the chairman of the committee extends additional time, he can not answer, because the time is under the control of the chairman of the committee.

Mr. STEVENSON. Mr. Chairman, I yield the gentleman from Wisconsin time in which to answer the question.

Mr. MAY. The bill provides for two different classifications in the matter of institutions, a member and a nonmember borrower. Why this arrangement?

Mr. REILLY. In many States, institutions otherwise eligible to become members of a Federal home-loan bank are not permitted by the laws of their States to purchase stock in other institutions such as the Federal home-loan bank. In order to take care of otherwise eligible home-loan mortgage institutions in these States the bill provides for two classifications of members—first, a regular member who can purchase stock under the laws of his State; and the other a nonmember borrower, who can get all the privileges of members in one of these banks by putting up securities in lieu of purchasing stock, but who can not become a member under the laws of his State.

These nonmember borrowers do not become members of one of these Federal home-loan banks; but having complied with the requirements of the board in putting up securities, they are open to all the privileges of the bank from a borrowing standpoint.

Mr. MAY. Let me ask one more question. This bill provides no means by which an individual can borrow money on a mortgage on his home from one of these banks?

Mr. REILLY. No. The home owner must secure his mortgage from some institution eligible for membership in this bank.

Mr. STEVENSON. Mr. Chairman, I filed a minority report to the bill.

I am in entire sympathy with the purposes of the bill, but there are certain matters contained in it which I endeavored unsuccessfully to eliminate when we were in committee but by a very narrow margin, I believe about a tie vote, on each amendment I lost.

I have always intended to deal candidly with my colleagues both on the floor of the House and in the committee. Therefore I did not reserve my objections but put them in a report which I filed and in which certain other gentlemen joined. I am going to take just a minute to discuss them and that is the principal discussion which I expect to make.

The first objection is to the inclusion of Hawaii and Alaska in the bill. Those Provinces, Territories, or whatever you choose to call them, are beyond our usual land laws.

In the first place, Alaska is not building homes to amount to anything, and it is not in condition to have the purposes of this bill extended to it. A bank situated probably at Seattle or San Francisco would have to have jurisdiction in the matter of inspection. Alaska is so remote that I deemed it unwise to undertake to go to the foreign field with this institution until we tried it out at home where our population is more or less stable and where our land values and our land titles and our supervision are more nearly within our grasp.

Hawaii, of course, makes more appeal than Alaska because they have building and loan associations in Hawaii, but it is a long way to go to get a few associations in, and I predict that if they are engrafted on it we will have something the same situation we have in Puerto Rico, because they induced us to put a branch of the Federal Land Bank down in Puerto Rico.

Mr. HOUSTON of Hawaii. Will the gentleman yield?

Mr. STEVENSON. I can not yield; I have but 10 minutes.

There is no difference between establishing a land bank which embraces Hawaii and one which embraces Puerto Rico or the Virgin Islands which were before us this morning wanting a national bank established, or the Philippine Islands. I content that this system should be tried out in the United States where we are able to supervise it, and where it is right at our door.

Mr. BEAM. Will the gentleman yield?

Mr. STEVENSON. I am sorry, I can not yield.

My second objection to the bill is that there has been included State banks and trust companies, and insurance companies in the membership of this institution.

We have abundantly provided for the banks by the Reconstruction Finance Corporation, but you will remember this is an institution to handle long-term land loans, that long-term land loans are the prerequisite to their being in here, you will see the reason for my contention that it is a vice to induce the banks and trust companies in this country who take deposits on demand to be tying up their assets in long-term land loans. It is contrary to every principle of sound banking, and that has been demonstrated by the most terrific situation into which we have gone.

I opposed the extension of the land-loan business to the national banks. I am opposed to it and have been, constitutionally, ever since I was in the banking business more than 30 years ago. It is a mistake to induce them to unite with and become members of an institution whose favored land mortgages amortize at eight years. They have no business in here, and all over this country they are loaded up with these mortgages that will be eligible to be used in this institution, and the building and loan associations will be just the same stepchild they have been under the Reconstruction Finance Corporation act. They are small; they have not the power; they have not the representation. The banks and insurance companies will get all the assets, and the associations will simply get what is left.

Mr. PARSONS. Will the gentleman yield for a brief question?

Mr. STEVENSON. I can not yield to the gentleman; I have but 10 minutes.

The other proposition to which I object is in section 10, on page 24, which makes this provision:

Each Federal home-loan bank shall at all times have an amount equal to the sums paid in on outstanding capital subscriptions of its members, plus an amount, equal to the current deposits received from its members and from nonmember borrowers, invested in (1) obligations of the United States—

That is all right.

(2) deposits in banks or trust companies—

That is as far as I want the banks and trust companies to get into this thing. Now, this is the thing to which I object—

(3) advances with maturity not greater than one year made to members or nonmember borrowers, upon such terms and conditions as the board may prescribe, and (4) advances with maturity not greater than one year made to members or nonmember borrowers the amount of whose creditor liability (not including advances from the Federal home loan bank) does not exceed 5 per centum of such member or nonmember borrower's net assets, which advances may be made without the security of home mortgages or other security, upon such terms and conditions as the board may prescribe.

In other words, we are establishing home-loan banks; and it is provided that if the board sees fit it can take every cent of the money that is paid in for stock by the stockholder members and loan it on securities that are not home mortgages at all and on no security if the board sees fit. I propose to offer to amend that by providing that all such loans shall be fully and amply secured. That is an invitation to take \$1,500—which is the limit a member can get in on—from each of them, and much more in places, and loan it to anybody who wants to go on the stock market or use it for anything else if the board sees fit. You say the board would not do that because this is a different proposition. However, we have boards and boards and all sorts of boards. Those are the main objections which I have to the passage of this bill.

Now, the last objection I had was to the tax-exemption business. When this bill was brought from the subcommittee into the full committee it had absolutely tax-exempted them from every kind of taxes. I made the contention we had gone far enough in the tax-exemption business when we are scraping the bottom of the coffin and the top of the house to get enough money with which to balance the Budget. I contended it was time we stopped that kind of

thing, and then the committee very cheerfully agreed to make them subject to surtaxes, gift taxes, and inheritance taxes, the same as in the case of the Reconstruction Finance Corporation. However, I am still opposed to that feature of it. I propose to move to strike out all of the tax-exemption business. However, I do not hesitate to say I would not want to kill the bill if that were not done; but I do not think it should be in there. I used to think we ought to grant a good many of these tax exemptions, but I have come to the conclusion that Mr. Mellon came to 10 years ago, that we ought to stop the issuance of tax-exempt securities in this country, so that the concentrated wealth of this country can not be hidden from the tax gatherer when we have times like these, when we have to go after all of the taxpayers of this country. [Applause.]

[Here the gavel fell.]

Mr. McFADDEN. Mr. Chairman, I yield five minutes to the gentleman from Missouri [Mr. WILLIAMS].

Mr. WILLIAMS of Missouri. Mr. Chairman, this bill creates a board of five with authority to establish not less than 8 nor more than 12 Federal home-loan banks, with a minimum capital of \$5,000,000 each. Such of the following institutions as have State inspection may become members of one of the home-loan banks: Banking and loan associations, banks and trust companies, and insurance companies. Any institution to become a member must subscribe for 1 per cent of the unpaid principal of its home-loan mortgages, but not less than \$1,500. That part of the minimum capital of each bank not subscribed within 30 days by the above-mentioned institutions shall be subscribed by the Secretary of the Treasury in an aggregate amount of not exceeding \$125,000,000. Each Federal home-loan bank shall be managed by a board of 11, 2 of whom are appointed by the Federal Board and 9 of whom are selected by the members. Each member institution within the limitations prescribed may secure advances or loans from the bank upon the note or obligation of the member secured by home mortgages and the stock of the member in the bank. Each Federal home-loan bank shall have power to issue bonds bearing a rate of interest to be determined by the board and secured by a deposit of home mortgages, the unpaid balance of which shall equal 190 per cent of the amount of outstanding bonds; to borrow money; to receive deposits; and to make loans. There is a joint and several liability on the part of the banks for the payment of the bonds. The capital and surplus of and the bonds issued by the banks are exempt from Federal, State, and local taxes, except surtaxes, gift, and inheritance taxes.

The Federal board shall determine whether the State law, regulations, or inspections are adequate to protect the operations of the bank in each State, and if, in its opinion, they are not satisfactory, the board may establish such inspection at the cost of the member institutions of that State, or withhold the operation of the bank in such State.

The usual boards, officers, employees, attorneys, and agents are provided for, together with their compensations, and \$500,000 is authorized to be appropriated to take care of travel and subsistence expenses, rents, printing, newspapers, periodicals, books, maps, telegraph, reporting and telephone services, and other preliminary expenses.

The bill provides for an outlay of \$125,500,000 on the part of the Treasury and puts the Government squarely in the banking business as a partner with the mortgage-loan institutions of the country, the United States furnishing most—if not practically all—the money. What stock is not subscribed for within 30 days by the member institutions the Government must take and pay for in cash. It is a deliberate attempt on the part of the Government to dictate the laws and policies of every State concerning the organization, management, and control of every mortgage-loan concern in the country. It sets up another nation-wide chain of costly and expensive boards, agencies, officers, agents, and employees. It proposes to scatter broadcast another series of tax-exempt securities depriving the Government of further taxes and adding to the already depressed bond market.

There is no general nation-wide urgent need for this extensive and expensive system. Most of the institutions eligible for membership in the system are against it; only a very highly organized few are for it.

It is purely institutional, as distinguished from individual. Only institutions can become stockholders or borrow money. No individual can own a share of stock or borrow a dollar. The need where it exists is purely local, and can and should be taken care of by State legislation. The need for help that can not be met by State law can be satisfied by the Reconstruction Finance Corporation. The aid will be to the big loan institutions of the Nation and not to the home owners. The institutions of only a few of the States can come into the system, because the law does not permit the building and loan associations or banks to purchase stock in another corporation. The real estate laws and the laws governing the management and powers of building and loan associations and banks of the various States are so different and conflicting that it would be impossible to get together mortgage securities which would form the basis for a legal bond issue, and the bonds would not sell. The home owner who needs help can not and will not be helped by this legislation. Many of the institutions that are unliquid and unsound can not, or at least should not, be helped by this legislation.

There is a great appeal in this measure, and it seems to be devised not only for the purpose of helping certain loan agencies and interests in the country but it may have some vote-getting qualities. It would be fine to go out to the voters and say, "I advocated the home-loan bank in order that all who desired could obtain the funds with which to build a new home or remodel or refinance one already built." It is desirable that all should own a home, a place where a family is reared, a place where the saintly influences of mother and the tender counsel of father shape the manhood and womanhood of the future, a place where love rules and peace and contentment abide—a nation of comfortable, neatly furnished, and well-equipped homes is the ideal condition to be attained. This measure will not lead us to that end. There is no need deceiving ourselves or trying to mislead the people. The desired help will not come through this legislation.

It is said that this system is modeled after the Federal farm-loan plan, and that since the Government has passed the law under which the Federal farm-loan banks and the joint-stock land banks were organized and subsidized, this act should be passed to aid home owners. If no better or sounder reason than that can be given, then this measure should fail. The land banks were organized to help the farmer, to furnish him credit, to enable him to own a farm through the amortized loan plan. What happened? The entire land-bank system with all its Government aid and subsidy is carrying only 12 per cent of the farm loans of the Nation. When this ruinous panic came, when this devastating depression was upon us, when the farmer was compelled to sell his products at a price below the cost of production, when he could not meet his tax, interest, and installment payments, when he needed credit and an extension of time, did the land banks come to his aid? Instead of helping, they found their own bonds selling for almost nothing, and instead of helping the farmer they came before Congress begging and pleading for help; and this Congress was compelled, almost as its first act last December, to give the Federal land banks of the country \$125,000,000 to save the system from ruin. This money was given with the idea that extension of time would be given the farmers in which to make payments, and, new loans would be made where necessary. This was not done. According to the reports of the Federal land banks there were 3,995 fewer loans March 31, 1932, than September 31, 1931; that the banks owned \$3,102,000 more real estate in March of this year than they did in September last year, and that they had over \$24,000,000 less loaned to the farmers after we gave the banks the money than they had before. The money was not used to help the farmers, but evidently to

help the bond market and the bondholders. In the light of such recent experience, is it possible we are to establish a system of banks to loan money to certain mortgage-loan institutions in the belief and with the hope that any of it will reach the needy home owner.

In these times, when there is an earnest and a determined effort to effect economies in government, to consolidate boards and coordinate related governmental activities, it seems inopportune to set up another national system of banks with all its attendant and costly boards, officers, attorneys, and agents. We are to start this institution off at the expense of \$125,500,000 to the Treasury. There is not much consolidation or much economy in this measure.

Will it help the home owner? Its primary purpose is not to help the home owner, but to pay off the investors in the building and loan associations. This statement is upon the authority of Morton Bodfish, executive manager of the United States Building and Loan League. In his testimony before the Senate committee this appears (pp. 87, 88, Senate hearings):

Senator WATSON. Of all the borrowers of the country, how many have defaulted?

Mr. BODFISH. I do not know.

Senator WATSON. Is there any considerable number?

Mr. BODFISH. We have not had a great number in our building and loan associations. It has been one of the things that has helped the associations through this depression period. Home owners seem to make these monthly payments with surprising regularity and tenacity. I think it is a splendid vindication of the long-term amortized home-mortgage-loan principle or plan.

Senator WATSON. I do not see, then, the necessity for the passage of this bill to aid building and loan associations, if you are running right along. A man will pay these loans and his life insurance to the exclusion of everything else, will he not?

Mr. BODFISH. True; but, Senator, we have a large number of people who saved their money in our associations and saved it for a rainy day. Due to lack of confidence they want their money at the present time.

Senator WATSON. That is, the investors, not the borrowers?

Mr. BODFISH. The investors; not the borrowers.

Senator WATSON. Yes.

Mr. BODFISH. Building and loan associations are not suffering, in my judgment.

There are 10,000,000 investors or shareholders in the building and loan associations where there are 2,000,000 borrowers, and Mr. Bodfish, the executive manager, says the borrowers, the home owners, are not suffering. The money is needed to pay off the investors. It is very desirable for every individual who has his money in an unprofitable or an unsound business to be able to get his money out of that business. But I do not believe that the Government should go into partnership with an institution and furnish the money in order that some of the stockholders of that institution can get their money. Mr. Adams, before the Senate committee, expressed a doubt if the President ever read the bill, and the further belief that there was not a "dollar's worth of relief in this bill for the home owner."

Many banks and building and loan associations find themselves in an unsound and an unliquid condition because—

First. Loans were made on inflated values and on a narrow margin.

Second. Many home owners when credit was easy were induced to borrow and to build beyond their means.

Third. Shareholders were induced to invest their money on the promise of large and certain dividends.

Fourth. In periods of prosperity when money was plentiful large dividends were paid and no reserve was built up.

This bank system can not and should not help this situation. The home owner who borrowed on an inflated value and on a narrow margin finds himself in possession of property whose market value is not equal to the amount of the mortgage due to-day. How can this plan help him when it does not permit him to borrow more than 40 per cent of the value of his property?

The man who borrowed and built beyond his means finds himself in possession of property that he is not able to maintain and not able to make the payments on the mortgage because he has lost his job, his wages have been reduced, or he is working on only half time. These are the men in need

of help, but I ask you, How can this or any other sound financial institution help them? As much as it may be regretted, it can not be done. The hearings reveal that there is ample money for conservative, sound mortgage loans. It has been charged over and over again that when the Federal land banks were established many bad, unsound loans were unloaded upon those banks. It is barely possible that an attempt may be made to do the same in this case. This plan will not help the needy home owner. In fact the executive manager of the United States Building and Loan Association says the borrower is not suffering. According to the same authority, the building and loan associations themselves are not suffering. He is quoted by the New York Times as saying:

Evidence of a gradual return of confidence among savings investors throughout the country is reported for the United States Building and Loan League through Morton Bodfish, its managing director. He says investors in building and loan associations increased by 10,527 in February, a figure which exceeds by more than 30 per cent the average monthly gain of 7,897 during the boom year of 1929.

If there is a national need for legitimate home loans, the Reconstruction Finance Corporation was created for the purpose of meeting that need. The very institutions which are asking for help in this measure are specifically mentioned in the Reconstruction Finance Corporation act—building and loan associations, banks, and insurance companies. This corporation has been in operation only four months. It has scarcely had time and a chance to see what it can do. Only this week the House passed a measure enlarging its scope and increasing its funds a billion dollars. Still we are now asked to pass another bill giving specific aid to building and loan associations, banks, and insurance companies. Is it any wonder that we have men encamped in this city demanding payment of the bonus? In all the anxiety for the big-business interests of the country the man on the street and on the highway seems to have been forgotten. It is claimed by the proponents of this measure that the building and loan associations can not borrow from the Reconstruction Finance Corporation. What is the fact? When the officers of the corporation were before our subcommittee about the 1st of April the loans to building and loan associations were between \$4,000,000 and \$5,000,000. In a statement issued by General Dawes on April 19 the loans had reached over \$17,000,000, and to-day the loans of the Reconstruction Finance Corporation to building and loan associations are over \$38,000,000 in amount and have been made to over 300 institutions in the country, and they are going right ahead. All the sound legitimate needs are being met by the Reconstruction Finance Corporation. There should be something to a sound, conservative financial institution besides borrowing money. Mr. Hall, of St. Louis, a member of the legislative committee of the United States Building and Loan League, when before our committee, said that borrowing was only an incidental part of the building and loan business. I observe from the press that a large building and loan association in our State recently failed. Was it on account of not being able to borrow money?

It developed that it had over \$1,000,000 borrowed, ten times as much as the average loan by the Reconstruction Finance Corporation to the building and loan associations of the Nation. It is further claimed that building and loan associations in some States can not borrow from the Reconstruction Finance Corporation because the State laws do not permit the pledging of their securities as collateral for loans. That exact argument holds good against this measure. If the building and loan associations can not borrow from the Reconstruction Finance Corporation for that reason, neither could they borrow from these banks, if they were established, for the same reason.

The needs are more or less local. The demand for mortgage money is much greater in certain localities than others. There are few building and loan associations in some States; a great many in other States. Practically half of the building-and-loan-association business is done in three States—Ohio, Pennsylvania, and New Jersey. In normal times through all the years building and loan associations have

had all the loans they wanted from the banks, and in many parts of the country that is still true. Local banks, insurance companies, building and loan associations, and mortgage bankers in ordinary times have taken care of real-estate loans. Upon a return to normal times they can do so again, even if they are not able to successfully and efficiently cope with the present situation. The conditions being different in each State, why not let the States provide a mortgage-loan system?

New York has a State land bank called the Savings & Loan Bank of New York, which functions well, and has for a number of years.

Massachusetts, by acts of March 2, 1932, created the Mutual Savings Central Fund (Inc.), and the Cooperative Central Bank. These are central banks the capital of which is obtained from reserves and deposits in the savings and cooperative banks of that State, which are similar to building and loan associations. The funds in the central banks thus established are loaned to the savings banks or cooperative banks of the State just as is proposed by this bill. Here are State institutions just set up under State law and with capital provided by the State banks which serve all the emergency needs of the cooperative banks of that State. A similar proposition is pending in New Jersey. If New York, Massachusetts, and possibly New Jersey can provide State central banks to relieve the situation, why not the rest of the States?

What is known as the guarantee stock plan is principally in use in California, Oregon, and Colorado. Kansas has what is known as the permanent or contingent reserve stock plan, the purpose of which is to act as a reserve.

If these States can provide a safe and liquid system of building and loan associations even in periods of depression, Ohio and Pennsylvania and other States might do the same.

The real estate laws in all the States are more or less different. Homestead and dower laws vary. The form of mortgage and acknowledgment and the effect of recording the mortgage may differ. The time and manner of filing mechanics' liens are not the same. Methods of foreclosure and rights of redemption are at variance. The amount which member institutions can borrow in different States under the laws thereof, as well as the amount of collateral which may be put up and the purposes for which the money may be borrowed are different. There is a wide difference as to negotiable or assignable paper and reserves that must be carried. With all these differences, variations, and conflicts in the State laws, it will be difficult, if not impossible, to establish a workable national system and bring together in one group strictly legal mortgage assets to furnish the foundation for a nation-wide bond issue.

In how many States will the law permit building and loan associations and banks to subscribe and pay for stock in the Federal home-loan banks if this bill becomes a law? This question has been often asked but never answered. It may be stated generally that banks and building and loan associations can not purchase stock in other corporations. To be sure, the laws of the States may be changed if the legislature sees fit to do so. How many would come in until the law is changed and take the chance of going out at the end of 42 months it is impossible to tell.

Mr. Hall, a member of the legislative committee of the United States Building & Loan League, filed with the subcommittee a statement giving the law of most of the States as received by him from the secretaries of building and loan associations in the different States. From this report it appears the member institutions in 9 States are eligible to become members of the Federal home-loan banks and enjoy the full benefits, that institutions in 22 States are not eligible to enjoy the benefits of membership, 5 States are in doubt, and 12 States did not report. This statement shows that in the following States building and loan associations will be prohibited from participating in the full privileges of the Federal home-loan banks until the laws are amended:

In Maine and Nebraska they (building and loan associations) can not borrow money for any purpose. In Missouri,

Illinois, Oklahoma, Florida, Iowa, and Pennsylvania the mortgages of the building and loan associations are nonnegotiable and can not be pledged as security for loans. In Vermont the mortgages are negotiable, but the State law does not permit their pledge or assignment as collateral security. In Indiana the mortgages may be assigned with the approval of the circuit court. In Alabama securities may be pledged as collateral for borrowed money, but the money can be used only to pay off shares and certificates presented for withdrawal and can not be used for the benefit of the borrower. In North Dakota the law permits the assignment of mortgages as security for borrowed money, but the collateral must not exceed one and one-half times more than the amount borrowed, less than the amount required in this bill.

Kansas permits building and loan associations to borrow, but does not permit them to borrow for the purpose of making loans to members unless the loan is obtained from some other building and loan association. A decided difference of legal opinion exists as to several provisions of the Massachusetts law and an effort has been made to clarify the situation by new legislation. However, the new central State banks have been established in this State as heretofore pointed out. In Idaho, while the mortgages are negotiable, the law prohibits borrowing for any purpose. In Montana the associations can borrow money, but can not pledge mortgages without consent of the banking department, and then only in the event the margin of security pledged shall not exceed 25 per cent of the funds borrowed, which is less than this bill provides for. In California the borrowing capacity of the associations is limited to 5 per cent of their total assets and the unpaid balance of the mortgages pledged shall not exceed 150 per cent of the amount borrowed. In New Jersey there is no specific provision allowing or prohibiting assignment of mortgages, and a great difference of opinion exists among lawyers on this point. In Minnesota associations have no power to assign mortgages as security and the attorney general and banking department are of the opinion that the associations can not use their mortgages as collateral to borrow money. In Georgia there is no law to prohibit associations from pledging mortgages, but the practice has been to hold them in the offices of the various associations. In Arkansas the law is uncertain and an amendment is to be presented to the legislature. In Washington all mortgages of the associations are placed in trust with the State department for the benefit of members and can not be pledged to borrow money. In North Carolina the practice is to borrow on unsecured note without collateral, and opinion is that laws must be amended. In Michigan the law is uncertain and may have to be amended. In Colorado the practice is to pledge mortgages as collateral security, but this only gives the pledge a prior lien for repayment on the proceeds of such collateral when collected in the usual way, but does not permit the sale of such collateral.

A letter from the executive secretary of the Wisconsin Building and Loan League, written since the hearings closed, states that "building and loan mortgages in Wisconsin are secured by nonnegotiable bonds and mortgages," and further states, "So far, we are not interested in the Federal home-loan bank because we believe our associations have borrowed too much money already."

In addition to the above States, Maryland and South Carolina can not come in under the general provisions of the law for the reason that their building and loan associations are not subject to State inspection. There is a provision that permits them to come in for a period of 42 months in order to give the legislature a chance to change the law in regard to inspection. There is also a provision by which members who can not pledge mortgages as collateral may obtain advances with maturity not greater than one year from the capital stock of the bank but not from the proceeds from the sale of bonds. These provisions are efforts in a measure to satisfy conditions in certain States in order to secure support for the bill. These widespread differences and the conflicting and confusing provisions of

the State laws emphasize the difficulty, if not the impossibility, of establishing a national system of home-loan banks. The various States may change their laws to permit the various institutions to enjoy full membership in this system if it is established. Some of these changes are not mere matters of form. They involve fundamental local policies and principles. That the mortgages of building and loan associations shall not be pledged as collateral for borrowed money is regarded by many as the greatest safeguard thrown around the institutions. Whatever the States may think of their policy, this measure says to them, "You must fit into the mold made for you in Washington if you get any benefits from this law."

This bill should not become a law for the following reasons:

There is no such general national demand or need for Federal home-loan banks either to meet the present emergency or as permanent institutions to justify their establishment at the expense of the Government.

The urgent need which may exist at the present time in certain sections can be and is being met by the Reconstruction Finance Corporation.

Such States as desire can set up a central land bank credit pool upon a sound and liquid basis to meet all local demands. Some of the States have done this.

A commission has been authorized to inquire into governmental activity in business. This measure puts the Government into partnership with the mortgage-loan agencies of the country, the Government furnishing the money for the enterprise.

This measure dictates to every State in the Union what laws it shall pass and what policies it shall pursue concerning the organization, powers, and management of its banks and building and loan associations. It takes away the last vestige of State rights on those questions.

In these days when an effort is being made to consolidate boards and coordinate related activities of the Government, this act establishes another nation-wide system of Federal banks to furnish real-estate credits.

In these days of economy this bill creates another army of Federal officers, agents, and employees at an initial expense to the Government of \$125,000,000.

This measure is institutional in character. No individual can be a stockholder or borrow from the banks. It is designed to help the mortgage institutions of the country rather than individuals.

The needy home owner will receive no aid. It is intended primarily to help investors and stockholders.

The real estate laws of the various States are so different and the laws governing the loan institutions are so conflicting and confusing that a national system is not feasible. Under such conditions mortgage securities can not be brought together to furnish the basis for a sound legal bond issue.

The bonds of the banks can not be sold at such a price as to furnish cheap money to the member institutions. The spread between the interest paid by the banks on their bonds and the interest charged their borrowers must pay the running expenses of the banks and of making the various loans, and must provide for the reserves and dividends. If any of it should be passed on to the home owner, it would be at an exorbitant rate of interest.

This measure will turn loose another flood of tax-exempt securities to further demoralize the much-depressed bond market.

The institutions of only a few States can become members of the system and enjoy its full benefits without a complete rewriting of the various State laws. [Applause.]

Mr. STRONG of Kansas. Mr. Chairman, I yield 15 minutes to the gentleman from Massachusetts [Mr. LUCE].

Mr. LUCE. Mr. Chairman, if there remains in the Chamber any aroma of partisanship, I shall hope that with the aid of the excellent ventilating system of the House we may dispel every particle of it. During all the months of hard, grinding effort put into the perfecting of this bill, in its consideration there never has been a shadow of partisan

opinion or judgment. This I would corroborate by taking the opportunity to make record of my admiration of the work done by the chairman of the subcommittee, Mr. REILLY, of Wisconsin, my appreciation of his mastery of the bill, and my gratitude for his warm support of the proposal. [Applause.]

The bill now bears his name, under the practice that attaches the responsibility for the big measures to the party in control of the House. I do not begrudge him such credit as goes with this; and if more credit could be attached to his work, I would gladly give it to him, for I recall a line in the Rubaiyat of Omar Khayyam, "O take the cash and let the credit go." [Laughter.] As long as we can get this bill, it is to me indifferent how it may be named or who may be accredited with responsibility.

I want the bill for many reasons. First, of course, because it is part of a great financial program to relieve the country in distress. This is primarily an emergency measure. It also, however, anticipates a repetition of emergencies, for the record shows that about every 20 years we have a major depression, with in between a minor depression, and there should always be at hand an opportunity for the home credit of the country to be protected and aided by such an institution as this. The third purpose is that of furnishing a permanent enlargement of the funds available for the building of small homes.

The chairman of the subcommittee has already gone through the detail of the bill, and, as we read it for amendment, there will be further consideration of its technical phases. So in the time I may at the moment give to the bill I would lay the most emphasis on the matter of amendment; and to add to such emphasis, I would tell you something about the history of this measure.

After its preparation in the Department of Commerce, when it was handed to me to introduce, soon it became evident that the bill should be rewritten. To that end a considerable number of men have contributed the most earnest and assiduous labor of which they have been capable. First, I would mention the aid of the legislative drafting service, invaluable in perfecting the technique of the bill. Then, too, we had help from men in the Federal reserve system and the Federal farm-loan system who have been acquainted with the operations of the laws affecting those organizations. We had also the cooperation of men experienced in building and loan matters, officers of the United States Building and Loan League, and for a while those of the National Real Estate Association. The members of the subcommittee put in hours, days, weeks of labor in trying to get the best bill we could. After it went before the full committee, that committee gave from 10 days to two weeks of solid, hard work in ironing out differences and making this bill, as we hoped, bullet proof. Never in a somewhat long legislative experience have I known of a measure that has been more carefully studied in every page, every paragraph, every sentence, every word.

Of course, men who have served long in the House are aware that the amendment stage is the dangerous stage for a bill in the position in which this bill now finds itself. Gentlemen rise on the floor and sometimes without deliberation, often without full information, present attractive amendments that if adopted do great mischief. You can not disturb an adjusted, consistent, coherent measure like this without grave danger. So I would ask the committee to bear in mind that these things have all been studied, and that as the bill now presents itself, it conforms at any rate in matter of administrative detail to the united judgment of nearly all the 21 members of the Committee on Banking and Currency, with surviving differences of opinion in but a few particulars.

When the rewritten bill went to the full committee, it had the approval, both in principle and detail, of four of the five members of the subcommittee. I have already spoken of the efficient contribution by its chairman [Mr. REILLY]. Let me also speak warmly of the labors and helpfulness of the gentleman from Pennsylvania [Mr. CAMPBELL] and the gentleman from North Carolina [Mr. HANCOCK]. The fifth

member [Mr. WILLIAMS of Missouri] did not agree with us, but I do not hesitate to attest his sincerity, honesty, and earnestness. He has told you he does not believe in anything in this bill. Such unqualified rejection of the judgment of his associates may determine whether you think his views ought to outweigh theirs.

There are one or two particulars where I am afraid he gave the House a wrong impression. He gave you to understand that we intended to appropriate \$125,000,000 to this institution, and also that we recently appropriated \$125,000,000 to the Federal Farm Loan Board. We did not give the Farm Loan Board that money. We are not going to give the Federal Home Loan Board that money. We are in each case lending money to be repaid. This bill proposes to lend to the home-loan banks such part of \$125,000,000 as the member institutions themselves do not contribute. It is expected that, by the purchase of stock, they will contribute sixty or seventy million dollars. It may be that some or all of the difference between what they contribute and \$125,000,000 will be called for as a loan from the Federal Treasury. But it is all to be repaid.

That answers the charge that we are putting the Government in business. We do not put the Government into business any more than we put it into business with the Federal farm-loan system or the Federal reserve system. We furnish the machinery by which the most important institution of our social structure, the home, can be better financed through its own instrumentalities.

We do not own the Federal reserve system; the banks own it. We have oversight, but the ownership is in the banks. And so it is with the farm-loan system.

Now, how will this system help the little fellow? This is the way it works: At the present time there are three-quarters of the 12,000 building and loan associations in this country that are on notice, as it is called—they have no money to pay withdrawals, and they demand a notice of 60 or 90 days. They can not lend anything. They are tied up.

I have a letter from Indianapolis, for example, telling me that the building and loan associations in that city, with \$150,000,000 of assets, are closed up tight, so that the stockholders can not get out a dollar.

Mr. PARSONS. Will the gentleman yield?

Mr. LUCE. I shall be glad to.

Mr. PARSONS. Can not they borrow from the Reconstruction Finance Corporation?

Mr. LUCE. I hope the gentleman will not let me forget to answer him after I have finished this thought. The associations by this bill are allowed to raise cash by rediscount of their best mortgages. That cash will help them meet the request for withdrawals by those who have put money in the association against a rainy day. Also, it will help them to finance a borrowing member, or any man who is willing to join the association and become a borrower.

Now, the question was asked by the gentleman from Illinois whether the associations could not borrow from the Reconstruction Finance Corporation.

We had General Dawes before the committee. He was asked his judgment in this matter, and he said positively and explicitly that he favored the passage of this bill, and hoped it would become a law.

Why did he say that? Because the Reconstruction Finance Corporation feels that it is able to help the building and loan associations only to enable them to repay what they have borrowed from banks. It does not feel that it is within its province to put additional money into these institutions to be lent or distributed to their stockholders. It will try to save an association from bankruptcy but not to help it to function. That task would be beyond both its purposes and its resources.

The second difficulty is that the obligations of building and loan associations are long-time mortgages, eight years or more, for the most part, and the Reconstruction Finance Corporation is a temporary affair, making short loans, six months, I think it is, which can not fit in with the scheme of the building-and-loan amortization or installment idea. So the men who are conducting the Reconstruction Finance

Corporation advise us not to rely upon that body for continuing needs, but wish us to make it possible for the associations to help themselves. I believe therefore we have ample warrant for creating this long-time institution, to meet the particular needs of the class of organizations involved.

Mr. SCHNEIDER. Mr. Chairman, will the gentleman yield?

Mr. LUCE. Yes.

Mr. SCHNEIDER. That being the case, just why did they put all of the banks in under this act?

Mr. LUCE. The gentleman makes another inquiry for which I am grateful. When this idea was conceived, it was recognized that through large areas of the country the little local bank is the only financing institution. I agree with the gentleman from South Carolina that we ought not to encourage banks to go into the real-estate business. For a long time I have thought it a weakness in our banking system.

The CHAIRMAN. The time of the gentleman from Massachusetts has expired.

Mr. STRONG of Kansas. I yield one minute more to the gentleman.

Mr. LUCE. I wish it were possible to separate completely the short-time commercial paper and long-time mortgage business. When, in reading for amendment, we get to the section concerned, I shall further explain the reasons that actuated the committee.

Mr. KETCHAM. Mr. Chairman, will the gentleman yield?

Mr. LUCE. Yes.

Mr. KETCHAM. The gentleman from Wisconsin [Mr. REILLY] stated, in connection with the amount that might be borrowed, that that amount was to be judged by the land value of the particular project covered by the mortgage. I notice the language says "real estate." If the land value be only \$2,000 and an \$8,000 house be built upon that land, the amount that could be borrowed on that by the institution giving the mortgage would be 40 per cent of the total, would it not, and not of the land value?

Mr. LUCE. Oh, it is the real estate, land and buildings combined.

The CHAIRMAN. The time of the gentleman from Massachusetts has again expired.

Mr. McFADDEN. Mr. Chairman, how much time have I remaining?

The CHAIRMAN. Twenty-five minutes.

Mr. McFADDEN. Mr. Chairman, at the present session of Congress we have been dealing with emergency situations. We have been dealing with the effect of things rather than with the cause of things. In this particular discussion I shall deal with some of the causes that lead up to these proposals. There are underlying principles which are responsible for conditions such as we have at the present time and I shall deal with one of these in particular which is tremendously important in the consideration that you are now giving to this bill.

Mr. Chairman, we have in this country one of the most corrupt institutions the world has ever known. I refer to the Federal Reserve Board and the Federal reserve banks. The Federal Reserve Board, a Government board, has cheated the Government of the United States and the people of the United States out of enough money to pay the national debt. The depredations and the iniquities of the Federal Reserve Board and the Federal reserve banks acting together have cost this country enough money to pay the national debt several times over. This evil institution has impoverished and ruined the people of the United States; has bankrupted itself, and has practically bankrupted our Government. It has done this through the defects of the law under which it operates, through the maladministration of that law by the Federal Reserve Board, and through the corrupt practices of the moneyed vultures who control it.

Some people think the Federal reserve banks are United States Government institutions. They are not Government institutions. They are private credit monopolies which prey upon the people of the United States for the benefit of

themselves and their foreign customers; foreign and domestic speculators and swindlers; and rich and predatory money lenders. In that dark crew of financial pirates there are those who would cut a man's throat to get a dollar out of his pocket; there are those who send money into States to buy votes to control our legislation; and there are those who maintain an international propaganda for the purpose of deceiving us and of wheedling us into the granting of new concessions which will permit them to cover up their past misdeeds and set again in motion their gigantic train of crime.

Those 12 private credit monopolies were deceitfully and disloyally foisted upon this country by bankers who came here from Europe and who repaid us for our hospitality by undermining our American institutions. Those bankers took money out of this country to finance Japan in a war against Russia. They created a reign of terror in Russia with our money in order to help that war along. They instigated the separate peace between Germany and Russia and thus drove a wedge between the allies in the World War. They financed Trotsky's mass meetings of discontent and rebellion in New York. They paid Trotsky's passage from New York to Russia so that he might assist in the destruction of the Russian Empire. They fomented and instigated the Russian revolution and they placed a large fund of American dollars at Trotsky's disposal in one of their branch banks in Sweden so that through him Russian homes might be thoroughly broken up and Russian children flung far and wide from their natural protectors. They have since begun the breaking up of American homes and the dispersal of American children.

It has been said that President Wilson was deceived by the attentions of these bankers and by the philanthropic poses they assumed. It has been said that when he discovered the manner in which he had been misled by Colonel House, he turned against that busybody, that "holy monk" of the financial empire, and showed him the door. He had the grace to do that, and in my opinion he deserves great credit for it.

President Wilson died a victim of deception. When he came to the Presidency, he had certain qualities of mind and heart which entitled him to a high place in the councils of this Nation; but there was one thing he was not and which he never aspired to be; he was not a banker. He said that he knew very little about banking. It was, therefore, on the advice of others that the iniquitous Federal reserve act, the death warrant of American liberty, became law in his administration.

Mr. Chairman, there should be no partisanship in matters concerning the banking and currency affairs of this country, and I do not speak with any.

In 1912 the National Monetary Association, under the chairmanship of the late Senator Nelson W. Aldrich, made a report and presented a vicious bill called the National Reserve Association bill. This bill is usually spoken of as the Aldrich bill. Senator Aldrich did not write the Aldrich bill. He was the tool, but not the accomplice, of the European-born bankers who for nearly 20 years had been scheming to set up a central bank in this country and who in 1912 had spent and were continuing to spend vast sums of money to accomplish their purpose.

The Aldrich bill was condemned in the platform upon which Theodore Roosevelt was nominated in the year 1912, and in that same year, when Woodrow Wilson was nominated, the Democratic platform, as adopted at the Baltimore convention, expressly stated: "We are opposed to the Aldrich plan or a central bank." This was plain language. The men who ruled the Democratic Party then promised the people that if they were returned to power there would be no central bank established here while they held the reins of government. Thirteen months later that promise was broken, and the Wilson administration, under the tutelage of those sinister Wall Street figures who stood behind Colonel House, established here in our free country the worm-eaten monarchical institution of the "king's bank" to control us from the top downward, and to shackle us from the

cradle to the grave. The Federal reserve act destroyed our old and characteristic way of doing business; it discriminated against our 1-name commercial paper, the finest in the world; it set up the antiquated 2-name paper, which is the present curse of this country, and which has wrecked every country which has ever given it scope; it fastened down upon this country the very tyranny from which the framers of the Constitution sought to save us.

One of the greatest battles for the preservation of this Republic was fought out here in Jackson's day, when the Second Bank of the United States, which was founded upon the same false principles as those which are exemplified in the Federal reserve act, was hurled out of existence. After the downfall of the Second Bank of the United States in 1837, the country was warned against the dangers that might ensue if the predatory interests, after being cast out, should come back in disguise and unite themselves to the Executive, and through him acquire control of the Government. That is what the predatory interests did when they came back in the livery of hypocrisy and under false pretenses obtained the passage of the Federal reserve act.

The danger that the country was warned against came upon us and is shown in the long train of horrors attendant upon the affairs of the traitorous and dishonest Federal Reserve Board and the Federal reserve banks. Look around you when you leave this chamber and you will see evidences of it on all sides. This is an era of economic misery and for the conditions that caused that misery, the Federal Reserve Board and the Federal reserve banks are fully liable. This is an era of financed crime and in the financing of crime, the Federal Reserve Board does not play the part of a disinterested spectator.

It has been said that the draughtsman who was employed to write the text of the Federal reserve bill used the text of the Aldrich bill for his purpose. It has been said that the language of the Aldrich bill was used because the Aldrich bill had been drawn up by expert lawyers and seemed to be appropriate. It was indeed drawn up by lawyers. The Aldrich bill was created by acceptance bankers of European origin in New York City. It was a copy and in general a translation of the statutes of the Reichsbank and other European central banks.

Half a million dollars was spent on one part of the propaganda organized by those same European bankers for the purpose of misleading public opinion in regard to it, and for the purpose of giving Congress the impression that there was an overwhelming popular demand for that kind of banking legislation and the kind of currency that goes with it, namely, an asset currency based on human debts and obligations instead of an honest currency based on gold and silver values. Dr. H. Parker Willis had been employed by the Wall Street bankers and propagandists and when the Aldrich measure came to naught and he obtained employment from CARTER GLASS to assist in drawing a banking bill for the Wilson administration, he appropriated the text of the Aldrich bill for his purpose. There is no secret about it. The text of the Federal reserve act was tainted from the beginning.

Not all of the Democratic Members of the Sixty-third Congress voted for this great deception. Some of them remembered the teachings of Jefferson; and, through the years, there have been no criticisms of the Federal Reserve Board and the Federal reserve banks so honest, so outspoken, and so unsparing as those which have been voiced here by Democrats. Again, although a number of Republicans voted for the Federal reserve act, the wisest and most conservative members of the Republican Party would have nothing to do with it and voted against it. A few days before the bill came to a vote, Senator Henry Cabot Lodge, of Massachusetts, wrote to Senator John W. Weeks as follows:

NEW YORK CITY, December 17, 1913.

MY DEAR SENATOR WEEKS: . . . Throughout my public life I have supported all measures designed to take the Government out of the banking business . . . This bill puts the Government into the banking business as never before in our history and makes, as I understand it, all notes Government notes when they should be bank notes.

The powers vested in the Federal Reserve Board seem to me highly dangerous, especially where there is political control of the board. I should be sorry to hold stock in a bank subject to such domination. The bill as it stands seems to me to open the way to a vast inflation of the currency. There is no necessity of dwelling upon this point after the remarkable and most powerful argument of the senior Senator from New York. I can be content here to follow the example of the English candidate for Parliament who thought it enough "to say ditto to Mr. Burke." I will merely add that I do not like to think that any law can be passed which will make it possible to submerge the gold standard in a flood of irredeemable paper currency.

I had hoped to support this bill, but I can not vote for it as it stands, because it seems to me to contain features and to rest upon principles in the highest degree menacing to our prosperity, to stability in business, and to the general welfare of the people of the United States.

Very sincerely yours,

HENRY CABOT LODGE.

In the 18 years which have passed since Senator Lodge wrote that letter of warning all of his predictions have come true. The Government is in the banking business as never before. Against its will it has been made the backer of horse thieves and card sharps, bootleggers, smugglers, speculators, and swindlers in all parts of the world. Through the Federal Reserve Board and the Federal reserve banks the riffraff of every country is operating on the public credit of the United States Government. Meanwhile, and on account of it, we ourselves are in the midst of the greatest depression we have ever known. Thus the menace to our prosperity, so feared by Senator Lodge, has indeed struck home. From the Atlantic to the Pacific our country has been ravaged and laid waste by the evil practices of the Federal Reserve Board and the Federal reserve banks and the interests which control them. At no time in our history has the general welfare of the people of the United States been at a lower level or the mind of the people so filled with despair.

Recently in one of our States 60,000 dwelling houses and farms were brought under the hammer in a single day. According to the Rev. Father Charles E. Coughlin, who has lately testified before a committee of this House, 71,000 houses and farms in Oakland County, Mich., have been sold and their erstwhile owners dispossessed. Similar occurrences have probably taken place in every county in the United States. The people who have thus been driven out are the wastage of the Federal reserve act. They are the victims of the dishonest and unscrupulous Federal Reserve Board and the Federal reserve banks. Their children are the new slaves of the auction block in the revival here of the institution of human slavery.

In 1913, before the Senate Banking and Currency Committee, Mr. Alexander Lassen made the following statement:

But the whole scheme of a Federal reserve bank with its commercial-paper basis is an impractical, cumbersome machinery, is simply a cover, to find a way to secure the privilege of issuing money and to evade payment of as much tax upon circulation as possible, and then control the issue and maintain, instead of reduce, interest rates. It is a system that, if inaugurated, will prove to the advantage of the few and the detriment of the people of the United States. It will mean continued shortage of actual money and further extension of credits; for when there is a lack of real money people have to borrow credit to their cost.

A few days before the Federal reserve act was passed Senator Elihu Root denounced the Federal reserve bill as an outrage on our liberties and made the following prediction:

Long before we wake up from our dreams of prosperity through an inflated currency, our gold, which alone could have kept us from catastrophe, will have vanished and no rate of interest will tempt it to return.

If ever a prophecy came true, that one did. It was impossible, however, for those luminous and instructed thinkers to control the course of events. On December 23, 1913, the Federal reserve bill became law, and that night Colonel House wrote to his hidden master in Wall Street as follows:

I want to say a word of appreciation to you for the silent but no doubt effective work you have done in the interest of currency legislation and to congratulate you that the measure has finally been enacted into law. We all know that an entirely perfect bill, satisfactory to everybody, would have been an impossibility, and I feel quite certain fair men will admit that unless the President had stood as firm as he did we should likely have had no legislation at all. The bill is a good one in many respects; anyhow

good enough to start with and to let experience teach us in what direction it needs perfection, which in due time we shall then get. In any event you have personally good reason to feel gratified with what has been accomplished.

The words "unless the President had stood as firm as he did we should likely have had no legislation at all," were a gentle reminder that it was Colonel House himself, the "holy monk," who had kept the President firm.

The foregoing letter affords striking evidence of the manner in which the predatory interests then sought to control the Government of the United States by surrounding the Executive with the personality and the influence of a financial Judas. Left to itself and to the conduct of its own legislative functions without pressure from the Executive, the Congress would not have passed the Federal reserve act. According to Colonel House, and since this was his report to his master, we may believe it to be true, the Federal reserve act was passed because Wilson stood firm; in other words because Wilson was under the guidance and control of the most ferocious usurers in New York through their hireling, House. The Federal reserve act became law the day before Christmas Eve in the year 1913, and shortly afterwards the German international bankers, Kuhn, Loeb & Co., sent one of their partners here to run it.

In 1913, when the Federal reserve bill was submitted to the Democratic caucus, there was a discussion in regard to the form the proposed paper currency should take.

The proponents of the Federal reserve act, in their determination to create a new kind of paper money, had not needed to go outside of the Aldrich bill for a model. By the terms of the Aldrich bill, bank notes were to be issued by the National Reserve Association and were to be secured partly by gold or lawful money and partly by circulating evidences of debt. The first draft of the Federal reserve bill presented the same general plan, that is, for bank notes as opposed to Government notes, but with certain differences of regulation.

When the provision for the issuance of Federal reserve notes was placed before President Wilson he approved of it, but other Democrats were more mindful of Democratic principles and a great protest greeted the plan. Foremost amongst those who denounced it was William Jennings Bryan, the Secretary of State. Bryan wished to have the Federal reserve notes issued as Government obligations. President Wilson had an interview with him and found him adamant. At the conclusion of the interview Bryan left with the understanding that he would resign if the notes were made bank notes. The President then sent for his Secretary and explained the matter to him. Mr. Tumulty went to see Bryan and Bryan took from his library shelves a book containing all the Democratic platforms and read extracts from them bearing on the matter of the public currency. Returning to the President, Mr. Tumulty told him what had happened and ventured the opinion that Mr. Bryan was right and that Mr. Wilson was wrong. The President then asked Mr. Tumulty to show him where the Democratic Party in its national platforms had ever taken the view indicated by Bryan. Mr. Tumulty gave him the book, which he had brought from Bryan's house, and the President read very carefully plank after plank on the currency. He then said, "I am convinced there is a great deal in what Mr. Bryan says," and thereupon it was arranged that Mr. Tumulty should see the proponents of the Federal reserve bill in an effort to bring about an adjustment of the matter.

The remainder of this story may be told in the words of Senator GLASS. Concerning Bryan's opposition to the plan of allowing the proposed Federal reserve notes to take the form of bank notes and the manner in which President Wilson and the proponents of the Federal reserve bill yielded to Bryan in return for his support of the measure, Senator GLASS makes the following statement:

The only other feature of the currency bill around which a conflict raged at this time was the note-issue provision. Long before I knew it, the President was desperately worried over it. His economic good sense told him the notes should be issued by the banks and not by the Government; but some of his advisers told him Mr. Bryan could not be induced to give his support to any bill that did not provide for a "Government note." There was in the Senate and House a large Bryan following which,

united with a naturally adversary party vote, could prevent legislation. Certain overconfident gentlemen proffered their services in the task of "managing Bryan." They did not budge him. . . . When a decision could no longer be postponed the President summoned me to the White House to say he wanted Federal reserve notes to "be obligations of the United States." I was for an instant speechless. With all the earnestness of my being I remonstrated, pointing out the unscientific nature of such a thing, as well as the evident inconsistency of it.

"There is not, in truth, any Government obligation here, Mr. President," I exclaimed. "It would be a pretense on its face. Was there ever a Government note based primarily on the property of banking institutions? Was there ever a Government issue not one dollar of which could be put out except by demand of a bank? The suggested Government obligation is so remote it could never be discerned," I concluded, out of breath.

"Exactly so, GLASS," earnestly said the President. "Every word you say is true; the Government liability is a mere thought. And so, if we can hold to the substance of the thing and give the other fellow the shadow, why not do it, if thereby we may save our bill?"

Shadow and substance! One can see from this how little President Wilson knew about banking. Unknowingly, he gave the substance to the international banker and the shadow to the common man. Thus was Bryan circumvented in his efforts to uphold the Democratic doctrine of the rights of the people. Thus the "unscientific blur" upon the bill was perpetrated. The "unscientific blur," however, was not the fact that the United States Government, by the terms of Bryan's edict, was obliged to assume as an obligation whatever currency was issued. Mr. Bryan was right when he insisted that the United States should preserve its sovereignty over the public currency. The "unscientific blur" was the nature of the currency itself, a nature which makes it unfit to be assumed as an obligation of the United States Government. It is the worst currency and the most dangerous this country has ever known. When the proponents of the act saw that Democratic doctrine would not permit them to let the proposed banks issue the new currency as bank notes, they should have stopped at that. They should not have foisted that kind of currency, namely, an asset currency, on the United States Government. They should not have made the Government liable on the private debts of individuals and corporations and, least of all, on the private debts of foreigners.

The Federal reserve note is essentially unsound. As Kemmerer says:

The Federal reserve notes, therefore, in form have some of the qualities of Government paper money, but, in substance, are almost a pure asset currency possessing a Government guaranty against which contingency the Government has made no provision whatever.

Hon. E. J. Hill, a former Member of the House, said, and truly:

. . . They are obligations of the Government for which the United States has received nothing and for the payment of which at any time it assumes the responsibility looking to the Federal reserve bank to recoup itself.

If the United States Government is to redeem the Federal reserve notes when the general public finds out what it costs to deliver this flood of paper money to the 12 Federal reserve banks, and if the Government has made no provision for redeeming them, the first element of their unsoundness is not far to seek.

Before the Senate Banking and Currency Committee, while the Federal reserve bill was under discussion, Mr. Crozier, of Cincinnati, said:

In other words, the imperial power of elasticity of the public currency is wielded exclusively by these central corporations owned by the banks. This is a life and death power over all local banks and all business. It can be used to create or destroy prosperity, to ward off or cause stringencies and panics. By making money artificially scarce interest rates throughout the country can be arbitrarily raised and the bank tax on all business and cost of living increased for the profit of the banks owning these regional central banks, and without the slightest benefit to the people. These 12 corporations together cover the whole country and monopolize and use for private gain every dollar of the public currency and all public revenues of the United States. Not a dollar can be put into circulation among the people by their Government without the consent of and on terms fixed by these 12 private money trusts.

In defiance of this and all other warnings, the proponents of the Federal reserve act created the 12 private credit corporations and gave them an absolute monopoly of the currency of the United States, not of Federal reserve notes alone, but of all the currency, the Federal reserve act providing ways by means of which the gold and general currency in the hands of the American people could be obtained by the Federal reserve banks in exchange for Federal reserve notes, which are not money but merely promises to pay money. Since the evil day when this was done the initial monopoly has been extended by vicious amendments to the Federal reserve act and by the unlawful and treasonable practices of the Federal Reserve Board and the Federal reserve banks.

Mr. Chairman, when a Chinese merchant sells human hair to a Paris wigmaker and bills him in dollars, the Federal reserve banks can buy his bill against the wigmaker and then use that bill as collateral for Federal reserve notes. The United States Government thus pays the Chinese merchant the debt of the wigmaker and gets nothing in return except a shady title to the Chinese hair.

Mr. Chairman, if a Scotch distiller wishes to send a cargo of Scotch whisky to the United States, he can draw his bill against the purchasing bootlegger in dollars; and after the bootlegger has accepted it by writing his name across the face of it, the Scotch distiller can send that bill to the nefarious open discount market in New York City, where the Federal Reserve Board and the Federal reserve banks will buy it and use it as collateral for a new issue of Federal reserve notes. Thus the Government of the United States pays the Scotch distiller for the whisky before it is shipped; and if it is lost on the way, or if the Coast Guard seizes it and destroys it, the Federal reserve banks simply write off the loss and the Government never recovers the money that was paid to the Scotch distiller. While we are attempting to enforce prohibition here, the Federal Reserve Board and the Federal reserve banks are financing the distillery business in Europe and are paying bootleggers' bills with the public credit of the United States Government.

Mr. Chairman, if a German brewer ships beer to this country or anywhere else in the world and draws his bill for it in dollars, the Federal reserve banks will buy that bill and use it as collateral for Federal reserve notes. Thus, they compel our Government to pay the German brewer for his beer. Why should the Federal Reserve Board and the Federal reserve banks be permitted to finance the brewing industry of Germany, either in this way or as they do by compelling small and fearful United States banks to take stock in the Isenbeck brewery and in the German bank for brewing industries?

Mr. Chairman, if Dynamit Nobel of Germany wishes to sell dynamite to Japan to use in Manchuria or elsewhere, it can draw its bill against its Japanese customers in dollars and send that bill to the nefarious open discount market in New York City, where the Federal Reserve Board and the Federal reserve banks will buy it and use it as collateral for a new issue of Federal reserve notes, while at the same time the Federal Reserve Board will be helping Dynamit Nobel by stuffing its stock into the United States banking system. Why should we send our representatives to the disarmament conference at Geneva while the Federal Reserve Board and the Federal reserve banks are making our Government pay Japanese debts to German munition makers?

Mr. Chairman, if a bean grower of Chile wishes to raise a crop of beans and sell them to a Japanese customer, he can draw a bill against his prospective Japanese customer in dollars and have it purchased by the Federal Reserve Board and the Federal reserve banks and get the money out of this country at the expense of the American public before he has even planted the beans in the ground.

Mr. Chairman, if a German in Germany wishes to export goods to South America or anywhere else, he can draw his bill against his customer and send it to the United States

and get the money out of this country before he ships or even manufactures the goods.

Mr. Chairman, why should the currency of the United States be issued on the strength of Chinese human hair? Why should it be issued on the trade whims of a wigmaker? Why should it be issued on the strength of German beer? Why should it be issued on a crop of unplanted beans to be grown in Chile for Japanese consumption? Why should the Government of the United States be compelled to issue many billions of dollars every year to pay the debts of one foreigner to another foreigner? Was it for this that our national-bank depositors had their money taken out of our banks and shipped abroad? Was it for this they had to lose it? Why should the public credit of the United States Government and likewise money belonging to our national-bank depositors be used to support foreign brewers, narcotic drug vendors, whiskey distillers, wigmakers, human-hair merchants, Chilean bean growers, and the like? Why should our national-bank depositors and our Government be forced to finance the munition factories of Germany and Soviet Russia?

Mr. Chairman, if a German, in Germany, wishes to sell wheelbarrows to another German, he can draw a bill in dollars and get the money out of the Federal reserve banks before an American farmer could explain his request for a loan to move his crop to market. In Germany, when credit instruments are being given, the creditors say, "See you, it must be of a kind that I can cash at the reserve." Other foreigners feel the same way. The reserve to which these gentry refer is our reserve, which, as you know, is entirely made up of money belonging to American bank depositors. I think foreigners should cash their own trade paper and not send it over here to bankers who use it to fish cash out of the pockets of the American people.

Mr. Chairman, there is nothing like the Federal reserve pool of confiscated bank deposits in the world. It is a public trough of American wealth in which foreigners claim rights equal to or greater than those of Americans. The Federal reserve banks are the agents of the foreign central banks. They use our bank depositors' money for the benefit of their foreign principals. They barter the public credit of the United States Government and hire it out to foreigners at a profit to themselves.

All this is done at the expense of the United States Government, and at a sickening loss to the American people. Only our great wealth enabled us to stand the drain of it as long as we did.

I believe that the nations of the world would have settled down after the World War more peacefully if we had not had this standing temptation here—this pool of our bank depositors' money given to private interests and used by them in connection with illimitable drafts upon the public credit of the United States Government. The Federal Reserve Board invited the world to come in and to carry away cash, credit, goods, and everything else of value that was movable. Values amounting to many billions of dollars have been taken out of this country by the Federal Reserve Board and the Federal reserve banks for the benefit of their foreign principals. The United States has been ransacked and pillaged. Our structures have been gutted and only the walls are left standing. While this crime was being perpetrated everything the world could rake up to sell us was brought in here at our own expense by the Federal Reserve Board and the Federal reserve banks until our markets were swamped with unneeded and unwanted imported goods priced far above their value and thus made to equal the dollar volume of our honest exports and to kill or reduce our favorable balance of trade. As agents of the foreign central banks, the Federal Reserve Board and the Federal reserve banks try by every means within their power to reduce our favorable balance of trade. They act for their foreign principals and they accept fees from foreigners for acting against the best interests of the United States. Naturally there has been great competition among foreigners for the favors of the Federal Reserve Board.

What we need to do is to send the reserves of our national banks home to the people who earned and produced them and who still own them and to the banks which were compelled to surrender them to predatory interests. We need to destroy the Federal reserve pool, wherein our national-bank reserves are impounded for the benefit of foreigners. We need to make it very difficult for outlanders to draw money away from us. We need to save America for Americans.

Mr. Chairman, when you hold a \$10 Federal reserve note in your hand you are holding a piece of paper which sooner or later is going to cost the United States Government \$10 in gold, unless the Government is obliged to give up the gold standard. It is protected by a reserve of 40 per cent, or \$4 in gold. It is based on Limburger cheese, reputed to be in a foreign warehouse; or on cans purporting to contain peas but which may contain no peas but salt water instead; or on horse meat; illicit drugs; bootleggers' fancies; rags and bones from Soviet Russia of which the United States imported over a million dollars' worth last year; on wine, whisky, natural gas, on goat or dog fur, garlic on the string, or Bombay ducks. If you like to have paper money which is secured by such commodities, you have it in the Federal reserve note. If you desire to obtain the thing of value upon which this paper currency is based—that is, the Limburger cheese, the whisky, the illicit drugs, or any of the other staples—you will have a very hard time finding them. Many of these worshipful commodities are in foreign countries. Are you going to Germany to inspect her warehouses to see if the specified things of value are there? I think not. And what is more, I do not think you would find them if you did go.

Immense sums belonging to our national-bank depositors have been given to Germany on no collateral security whatever. The Federal Reserve Board and the Federal reserve banks have issued United States currency on mere finance drafts drawn by Germans. Billions upon billions of our money has been pumped into Germany and money is still being pumped into Germany by the Federal Reserve Board and the Federal reserve banks. Her worthless paper is still being negotiated here and renewed here on the public credit of the United States Government and at the expense of the American people. On April 27, 1932, the Federal reserve outfit sent \$750,000, belonging to American bank depositors, in gold to Germany. A week later, another \$300,000 in gold was shipped to Germany in the same way. About the middle of May \$12,000,000 in gold was shipped to Germany by the Federal Reserve Board and the Federal reserve banks. Almost every week there is a shipment of gold to Germany. These shipments are not made for profit on exchange since German marks are below parity against the dollar.

Mr. Chairman, I believe that the national-bank depositors of the United States are entitled to know what the Federal Reserve Board and the Federal reserve banks are doing with their money. There are millions of national-bank depositors in this country who do not know that a percentage of every dollar they deposit in a member bank of the Federal reserve system goes automatically to the American agents of foreign banks and that all of their deposits can be paid away to foreigners without their knowledge or consent by the crooked machinery of the Federal reserve act and the questionable practices of the Federal Reserve Board and the Federal reserve banks. Mr. Chairman, the American people should be told the truth by their servants in office.

In 1930 we had over half a billion dollars outstanding daily to finance foreign goods stored in or shipped between foreign countries. In its yearly total, this item amounts to several billion dollars. What goods are those upon which the Federal reserve banks yearly pledge several billion dollars of the public credit of the United States? What goods are those which are hidden in European and Asiatic storehouses and which have never been seen by any officer of this Government, but which are being financed on the public credit of the United States Government? What goods are those upon which the United States Government is being

obliged by the Federal reserve banks to issue Federal reserve notes to the extent of several billion dollars a year?

The Federal Reserve Board and the Federal reserve banks have been international bankers from the beginning, with the United States Government as their enforced banker and supplier of currency. But it is none the less extraordinary to see those 12 private credit monopolies buying the debts of foreigners against foreigners in all parts of the world and asking the Government of the United States for new issues of Federal reserve notes in exchange for them.

I see no reason why the American taxpayers should be hewers of wood and drawers of water for the European and Asiatic customers of the Federal reserve banks. I see no reason why a worthless acceptance drawn by a foreign swindler as a means of getting gold out of this country should receive the lowest and choicest rate from the Federal Reserve Board and be treated as better security than the note of an American farmer living on American land.

The magnitude of the acceptance racket, as it has been developed by the Federal reserve banks, their foreign correspondents, and the predatory European-born bankers who set up the Federal reserve institution here and taught our own brand of pirates how to loot the people—I say the magnitude of this racket is estimated to be in the neighborhood of \$9,000,000,000 a year. In the past 10 years it is said to have amounted to \$90,000,000,000. In my opinion, it has amounted to several times as much. Coupled with this you have, to the extent of billions of dollars, the gambling in United States securities, which takes place in the same open discount market—a gamble upon which the Federal Reserve Board is now spending \$100,000,000 a week.

Federal reserve notes are taken from the United States Government in unlimited quantities. Is it strange that the burden of supplying these immense sums of money to the gambling fraternity has at last proved too heavy for the American people to endure? Would it not be a national calamity if the Federal Reserve Board and the Federal reserve banks should again bind this burden down on the backs of the American people and, by means of the long rawhide whips of the credit masters, compel them to enter upon another 17 years of slavery? They are trying to do that now. They are taking \$100,000,000 of the public credit of the United States Government every week in addition to all their other seizures, and they are spending that money in the nefarious open market in New York City in a desperate gamble to reestablish their graft as a going concern.

They are putting the United States Government in debt to the extent of \$100,000,000 a week, and with this money they are buying up our Government securities for themselves and their foreign principals. Our people are disgusted with the experiments of the Federal Reserve Board. The Federal Reserve Board is not producing a loaf of bread, a yard of cloth, a bushel of corn, or a pile of cordwood by its check-kiting operations in the money market.

A fortnight or so ago great aid and comfort was given to Japan by the firm of A. Gerli & Sons, of New York, an importing firm, which bought \$16,000,000 worth of raw silk from the Japanese Government. Federal reserve notes will be issued to pay that amount to the Japanese Government, and these notes will be secured by money belonging to our national-bank depositors.

Why should United States currency be issued on this debt? Why should United States currency be issued to pay the debt of Gerli & Sons to the Japanese Government? The Federal Reserve Board and the Federal reserve banks think more of the silkworms of Japan than they do of American citizens. We do not need \$16,000,000 worth of silk in this country at the present time, not even to furnish work to dyers and finishers. We need to wear home-grown and American-made clothes and to use our own money for our own goods and staples. We could spend \$16,000,000 in the United States of America on American children and that would be a better investment for us than Japanese silk purchased on the public credit of the United States Government.

Mr. Speaker, on the 13th of January of this year I addressed the House on the subject of the Reconstruction Finance Corporation. In the course of my remarks I made the following statement:

In 1928 the member banks of the Federal reserve system borrowed \$60,598,690,000 from the Federal reserve banks on their 15-day promissory notes. Think of it! Sixty billion dollars payable upon demand in gold in the course of one single year. The actual payment of such obligations calls for six times as much monetary gold as there is in the entire world. Such transactions represent a grant in the course of one single year of about \$7,000,000 to every member bank of the Federal reserve system. Is it any wonder that there is a depression in this country? Is it any wonder that American labor, which ultimately pays the cost of all the banking operations of this country, has at last proved unequal to the task of supplying this huge total of cash and credit for the benefit of stock-market manipulators and foreign swindlers?

Mr. Chairman, some of my colleagues have asked for more specific information concerning this stupendous graft, this frightful burden which has been placed on the wage earners and taxpayers of the United States for the benefit of the Federal Reserve Board and the Federal reserve banks. They were surprised to learn that member banks of the Federal reserve system had received the enormous sum of \$60,598,690,000 from the Federal Reserve Board and the Federal reserve banks on their promissory notes in the course of one single year, namely, 1928. Another Member of this House, Mr. BEEDY, the honorable gentleman from Maine, has questioned the accuracy of my statement and has informed me that the Federal Reserve Board denies absolutely that these figures are correct. This Member has said to me that the thing is unthinkable, that it can not be, that it is beyond all reason to think that the Federal Reserve Board and the Federal reserve banks should have so subsidized and endowed their favorite banks of the Federal reserve system. This Member is horrified at the thought of a graft so great, a bounty so detrimental to the public welfare as sixty and a half billion dollars a year and more shoveled out to favored banks of the Federal reserve system.

I sympathize with Mr. BEEDY. I would spare him pain if I could, but the facts remain as I have stated them. In 1928, the Federal Reserve Board and the Federal reserve banks presented the staggering amount of \$60,598,690,000 to their member banks at the expense of the wage earners and taxpayers of the United States. In 1929, the year of the stock-market crash, the Federal Reserve Board and the Federal reserve banks advanced fifty-eight billions to member banks.

In 1930, while the speculating banks were getting out of the stock market at the expense of the general public, the Federal Reserve Board and the Federal reserve banks advanced them \$13,022,782,000. This shows that when the banks were gambling on the public credit of the United States Government as represented by Federal reserve currency, they were subsidized to any amount they required by the Federal Reserve Board and the Federal reserve banks. When the swindle began to fail, the banks knew it in advance and withdrew from the market. They got out with whole skins and left the people of the United States to pay the piper.

On November 2, 1931, I addressed a letter to the Federal Reserve Board asking for the aggregate total of member bank borrowings in the years 1928, 1929, 1930. In due course, I received a reply from the Federal Reserve Board, dated November 9, 1931, the pertinent part of which reads as follows:

MY DEAR CONGRESSMAN: In reply to your letter of November 2, you are advised that the aggregate amount of 15-day promissory notes of member banks during each of the past three calendar years has been as follows:

1928-----	\$60,598,690,000
1929-----	58,046,697,000
1930-----	13,022,782,000

Very truly yours,

CHESTER MORRILL, Secretary.

This will show the gentleman from Maine the accuracy of my statement. As for the denial of these facts made to him

by the Federal Reserve Board, I can only say that it must have been prompted by fright, since hanging is too good for a Government board which permitted such a misuse of Government funds and credit.

My friend from Kansas, Mr. McGugin, has stated that he thought the Federal Reserve Board and the Federal reserve banks lent money by rediscounting. So they do, but they lend comparatively little that way. The real rediscounting that they do has been called a mere penny in the slot business. It is too slow for genuine high flyers. They discourage it. They prefer to subsidize their favorite banks by making these \$60,000,000 advances, and they prefer to acquire acceptances in the notorious open discount market in New York, where they can use them to control the prices of stocks and bonds on the exchanges. For every dollar they advanced on rediscounts in 1928 they lent \$33 to their favorite banks for gambling purposes. In other words, their rediscounts in 1928 amounted to \$1,814,271,000, while their loans to member banks amounted to \$60,598,690,000. As for their open-market operations, these are on a stupendous scale, and no tax is paid on the acceptances they handle; and their foreign principals, for whom they do a business of several billion dollars every year, pay no income tax on their profits to the United States Government.

This is the John Law swindle over again. The theft of Teapot Dome was trifling compared to it. What king ever robbed his subjects to such an extent as the Federal Reserve Board and the Federal reserve banks have robbed us? Is it any wonder that there have lately been 90 cases of starvation in one of the New York hospitals? Is it any wonder that the children of this country are being dispersed and abandoned?

The Government and the people of the United States have been swindled by swindlers de luxe to whom the acquisition of American gold or a parcel of Federal reserve notes presented no more difficulty than the drawing up of a worthless acceptance in a country not subject to the laws of the United States, by sharpers not subject to the jurisdiction of the United States courts, sharpers with a strong banking "fence" on this side of the water—a "fence" acting as a receiver of the worthless paper coming from abroad, indorsing it and getting the currency out of the Federal reserve banks for it as quickly as possible, exchanging that currency for gold, and in turn transmitting the gold to its foreign confederates.

Such were the exploits of Ivar Kreuger, Mr. Hoover's friend, and his hidden Wall Street backers. Every dollar of the billions Kreuger and his gang drew out of this country on acceptances was drawn from the Government and the people of the United States through the Federal Reserve Board and the Federal reserve banks. The credit of the United States Government was peddled to him by the Federal Reserve Board and the Federal reserve banks for their own private gain. That is what the Federal Reserve Board and the Federal reserve banks have been doing for many years. They have been peddling the credit of this Government and the signature of this Government to the swindlers and speculators of all nations. That is what happens when a country forsakes its Constitution and gives its sovereignty over the public currency to private interests. Give them the flag and they will sell it.

The nature of Kreuger's organized swindle and the bankrupt condition of Kreuger's combine was known here last June when Hoover sought to exempt Kreuger's loan to Germany of one hundred twenty-five millions from the operation of the Hoover moratorium. The bankrupt condition of Kreuger's swindle was known here last summer when \$30,000,000 was taken from American taxpayers by certain bankers in New York for the ostensible purpose of permitting Kreuger to make a loan to Colombia. Colombia never saw that money. The nature of Kreuger's swindle and the bankrupt condition of Kreuger was known here in January when he visited his friend, Mr. Hoover, at the White House. It was known here in March before he went to Paris and committed suicide there.

Mr. Chairman, I think the people of the United States are entitled to know how many billions of dollars were placed at the disposal of Kreuger and his gigantic combine by the Federal Reserve Board and the Federal reserve banks and to know how much of our Government currency was issued and lost in the financing of that great swindle in the years during which the Federal Reserve Board and the Federal reserve banks took care of Kreuger's requirements.

Mr. Chairman, I believe there should be a congressional investigation of the operations of Kreuger and Toll in the United States and that Swedish Match, International Match, the Swedish-American Investment Corporation, and all related enterprises, including the subsidiary companies of Kreuger and Toll, should be investigated and that the issuance of United States currency in connection with those enterprises and the use of our national-bank depositors' money for Kreuger's benefit should be made known to the general public. I am referring, not only to the securities which were floated and sold in this country, but also to the commercial loans to Kreuger's enterprises and the mass financing of Kreuger's companies by the Federal Reserve Board and the Federal reserve banks and the predatory institutions which the Federal Reserve Board and the Federal reserve banks shield and harbor.

A few days ago the President of the United States, with a white face and shaking hands, went before the Senate on behalf of the moneyed interests and asked the Senate to levy a tax on the people so that foreigners might know that the United States would pay its debts to them. Most Americans thought that it was the other way around. What does the United States owe to foreigners? When and by whom was the debt incurred? It was incurred by the Federal Reserve Board and the Federal reserve banks when they peddled the signature of this Government to foreigners for a price. It is what the United States Government has to pay to redeem the obligations of the Federal Reserve Board and the Federal reserve banks. Are you going to let those thieves get off scot free? Is there one law for the looter who drives up to the door of the United States Treasury in his limousine and another for the United States veterans who are sleeping on the floor of a dilapidated house on the outskirts of Washington?

The Baltimore & Ohio Railroad is here asking for a large loan from the people and the wage earners and the taxpayers of the United States. It is begging for a hand-out from the Government. It is standing, cap in hand, at the door of the Reconstruction Finance Corporation, where all the other jackals have gathered to the feast. It is asking for money that was raised from the people by taxation, and it wants this money of the poor for the benefit of Kuhn, Loeb & Co., the German international bankers. Is there one law for the Baltimore & Ohio Railroad and another for the needy veterans it threw off its freight cars the other day? Is there one law for sleek and prosperous swindlers who call themselves bankers and another law for the soldiers who defended the United States flag?

Mr. Chairman, some people are horrified because the collateral behind Kreuger and Toll debentures was removed and worthless collateral substituted for it. What is this but what is being done daily by the Federal reserve banks? When the Federal reserve act was passed, the Federal reserve banks were allowed to substitute "other like collateral" for collateral behind Federal reserve notes but by an amendment obtained at the request of the corrupt and dishonest Federal Reserve Board, the act was changed so that the word "like" was stricken out. All that immense trouble was taken here in Congress so that the law would permit the Federal reserve banks to switch collateral. At the present time behind the scenes in the Federal reserve banks there is a night-and-day movement of collateral. A visiting Englishman, leaving the United States a few weeks ago, said that things would look better here after "they cleaned up the mess at Washington." Cleaning up the mess consists in fooling the people and making them pay a second time for the bad foreign investments of the Federal Reserve Board and the Federal reserve banks. It consists

in moving that heavy load of dubious and worthless foreign paper—the bills of wigmakers, brewers, distillers, narcotic-drug vendors, munition makers, illegal finance drafts, and worthless foreign securities, out of the banks and putting it on the back of American labor. That is what the Reconstruction Finance Corporation is doing now. They talk about loans to banks and railroads but they say very little about that other business of theirs which consists in relieving the swindlers who promoted investment trusts in this country and dumped worthless foreign securities into them and then resold that mess of pottage to American investors under cover of their own corporate titles. The Reconstruction Finance Corporation is taking over those worthless securities from those investment trusts with United States Treasury money at the expense of the American taxpayer and wage earner.

It will take us 20 years to redeem our Government, 20 years of penal servitude to pay off the gambling debts of the traitorous Federal Reserve Board and the Federal reserve banks and to earn again that vast flood of American wages and savings, bank deposits, and United States Government credit which the Federal Reserve Board and the Federal reserve banks exported out of this country to their foreign principals.

The Federal Reserve Board and the Federal reserve banks lately conducted an anti-hoarding campaign here. Then they took that extra money which they had persuaded the trusting American people to put into the banks and they sent it to Europe along with the rest. In the last several months, they have sent \$1,300,000,000 in gold to their foreign employers, their foreign masters, and every dollar of that gold belonged to the people of the United States and was unlawfully taken from them.

Is not it high time that we had an audit of the Federal Reserve Board and the Federal reserve banks and an examination of all our Government bonds and securities and public moneys instead of allowing the corrupt and dishonest Federal Reserve Board and the Federal reserve banks to speculate with those securities and this cash in the notorious open discount market of New York City?

Mr. Chairman, within the limits of the time allowed me, I can not enter into a particularized discussion of the Federal Reserve Board and the Federal reserve banks. I have singled out the Federal reserve currency for a few remarks because there has lately been some talk here of "flat money." What kind of money is being pumped into the open discount market and through it into foreign channels and stock exchanges? Mr. Mills of the Treasury has spoken here of his horror of the printing presses and his horror of dishonest money. He has no horror of dishonest money. If he had, he would be no party to the present gambling of the Federal Reserve Board and the Federal reserve banks in the nefarious open discount market of New York, a market in which the sellers are represented by 10 great discount dealer corporations owned and organized by the very banks which own and control the Federal Reserve Board and the Federal reserve banks. Flat money, indeed!

After the several raids on the Treasury Mr. Mills borrows the speech of those who protested against those raids and speaks now with pretended horror of a raid on the Treasury. Where was Mr. Mills last October when the United States Treasury needed \$598,000,000 of the taxpayers' money which was supposed to be in the safe-keeping of Andrew W. Mellon in the designated depositories of Treasury funds, and which was not in those depositories when the Treasury needed it? Mr. Mills was the Assistant Secretary of the Treasury then, and he was at Washington throughout October, with the exception of a very significant week he spent at White Sulphur Springs closeted with international bankers, while the Italian minister, Signor Grandi, was being entertained—and bargained with—at Washington.

What Mr. Mills is fighting for is the preservation whole and entire of the bankers' monopoly of all the currency of the United States Government. What Mr. PATMAN proposes is that the Government shall exercise its sovereignty to the extent of issuing some currency for itself. This conflict of

opinion between Mr. Mills as the spokesman of the bankers and Mr. PATMAN as the spokesman of the people brings the currency situation here into the open. Mr. PATMAN and the veterans are confronted by a stone wall—the wall that fences in the bankers with their special privilege. Thus the issue is joined between the hosts of democracy, of which the veterans are a part, and the men of the king's bank, the would-be aristocrats, who deflated American agriculture and robbed this country for the benefit of their foreign principals.

Mr. Chairman, last December I introduced a resolution here asking for an examination and an audit of the Federal Reserve Board and the Federal reserve banks and all related matters. If the House sees fit to make such an investigation, the people of the United States will obtain information of great value. This is a Government of the people, by the people, for the people, consequently nothing should be concealed from the people. The man who deceives the people is a traitor to the United States. The man who knows or suspects that a crime has been committed and who conceals or covers up that crime is an accessory to it. Mr. Speaker, it is a monstrous thing for this great Nation of people to have its destinies presided over by a traitorous Government board acting in secret concert with international usurers. Every effort has been made by the Federal Reserve Board to conceal its power but the truth is the Federal Reserve Board has usurped the Government of the United States. It controls everything here and it controls all our foreign relations. It makes and breaks governments at will. No man and no body of men is more entrenched in power than the arrogant credit monopoly which operates the Federal Reserve Board and the Federal reserve banks. These evil-doers have robbed this country of more than enough money to pay the national debt. What the National Government has permitted the Federal Reserve Board to steal from the people should now be restored to the people. The people have a valid claim against the Federal Reserve Board and the Federal reserve banks. If that claim is enforced, Americans will not need to stand in breadlines or to suffer and die of starvation in the streets. Homes will be saved, families will be kept together, and American children will not be dispersed and abandoned. The Federal Reserve Board and the Federal reserve banks owe the United States Government an immense sum of money. We ought to find out the exact amount of the people's claim. We should know the amount of the indebtedness of the Federal Reserve Board and the Federal reserve banks to the people and we should collect that amount immediately. We certainly should investigate this treacherous and disloyal conduct of the Federal Reserve Board and the Federal reserve banks.

Here is a Federal reserve note. Immense numbers of these notes are now held abroad. I am told they amount to upward of a billion dollars. They constitute a claim against our Government and likewise a claim against the money our people have deposited in the member banks of the Federal reserve system. Our people's money to the extent of \$1,300,000,000 has within the last few months been shipped abroad to redeem Federal reserve notes and to pay other gambling debts of the traitorous Federal Reserve Board and the Federal reserve banks. The greater part of our monetary stock has been shipped to foreigners. Why should we promise to pay the debts of foreigners to foreigners? Why should our Government be put into the position of supplying money to foreigners? Why should American farmers and wage earners add millions of foreigners to the number of their dependents? Why should the Federal Reserve Board and the Federal reserve banks be permitted to finance our competitors in all parts of the world? Do you know why the tariff was raised? It was raised to shut out the flood of Federal reserve goods pouring in here from every quarter of the globe—cheap goods produced by cheaply paid foreign labor on unlimited supplies of money and credit sent out of this country by the dishonest and unscrupulous Federal Reserve Board and the Federal reserve banks. Go out in Washington to buy an electric light bulb and you will probably be offered one that was made in Japan on American money. Go out to buy a pair of fabric gloves and in-

conspicuously written on the inside of the gloves that will be offered to you will be found the words "made in Germany" and that means "made on the public credit of the United States Government paid to German firms in American gold taken from the confiscated bank deposits of the American people."

The Federal Reserve Board and the Federal reserve banks are spending \$100,000,000 a week buying Government securities in the open market and are thus making a great bid for foreign business. They are trying to make rates so attractive that the human-hair merchants and distillers and other business entities in foreign lands will come here and hire more of the public credit of the United States Government and pay the Federal reserve outfit for getting it for them.

Mr. Chairman, when the Federal reserve act was passed the people of the United States did not perceive that a world system was being set up here which would make the savings of an American school-teacher available to a narcotic-drug vendor in Macao. They did not perceive that the United States was to be lowered to the position of a coolie country which has nothing but raw materials and heavy goods for export; that Russia was destined to supply man power and that this country was to supply financial power to an international superstate—a superstate controlled by international bankers and international industrialists acting together to enslave the world for their own pleasure.

The people of the United States are being greatly wronged. If they are not, then I do not know what "wronging the people" means. They have been driven from their employments. They have been dispossessed of their homes. They have been evicted from their rented quarters. They have lost their children. They have been left to suffer and to die for the lack of shelter, food, clothing, and medicine.

The wealth of the United States and the working capital of the United States has been taken away from them and has either been locked in the vaults of certain banks and great corporations or exported to foreign countries for the benefit of the foreign customers of those banks and corporations. So far as the people of the United States are concerned, the cupboard is bare. It is true that the warehouses and coal yards and grain elevators are full, but the warehouses and coal yards and grain elevators are padlocked and the great banks and corporations hold the keys. The sack of the United States by the Federal Reserve Board and the Federal reserve banks and their confederates is the greatest crime in history.

Mr. Chairman, a serious situation confronts the House of Representatives to-day. We are the trustees of the people and the rights of the people are being taken away from them. Through the Federal Reserve Board and the Federal reserve banks, the people are losing the rights guaranteed to them by the Constitution. Their property has been taken from them without due process of law. Mr. Chairman, common decency requires us to examine the public accounts of the Government to see what crimes against the public welfare have been or are being committed.

What is needed here is a return to the Constitution of the United States. We need to have a complete divorce of Bank and State. The old struggle that was fought out here in Jackson's day must be fought over again. The Independent United States Treasury should be reestablished and the Government should keep its own money under lock and key in the building the people provided for that purpose. Asset currency, the device of the swindler, should be done away with. The Government should buy gold and issue United States currency on it. The business of the independent bankers should be restored to them. The State banking systems should be freed from coercion. The Federal reserve districts should be abolished and State boundaries should be respected. Bank reserves should be kept within the borders of the States whose people own them, and this reserve money of the people should be protected so that international bankers and acceptance bankers and discount dealers can not draw it away from them. The exchanges should be closed while we are putting our financial affairs in order. The

Federal reserve act should be repealed and the Federal reserve banks, having violated their charters, should be liquidated immediately. Faithless Government officers who have violated their oaths of office should be impeached and brought to trial. Unless this is done by us, I predict that the American people, outraged, robbed, pillaged, insulted, and betrayed as they are in their own land, will rise in their wrath and send a President here who will sweep the money changers out of the temple. [Applause.]

Mr. STRONG of Kansas. Mr. Chairman, I shall use the remaining four minutes that I have at my disposal. There is a disease that afflicts mankind which is very vicious. It warps the judgment, it narrows the vision, it even causes men to see red, to make mountains out of mole hills. This disease has sometimes been referred to as B. A. Ladies may refer to it as "tummy" ache, but out in the wide-open spaces men call it the "belly" ache, and I know of no man of my acquaintance that has this disease in so violent a form as the gentleman from Pennsylvania [Mr. McFadden]. I have not the time to refer to the many charges he makes against the Federal reserve system, but I call attention to the fact that for 12 years he has been the chairman of the Banking and Currency Committee of this House and did not see fit during that time to try to remedy any of the evils of which he now complains. It seems to me entirely out of place to wait until he is retired as chairman of that great committee and then assault all of the institutions of which it has control.

I think this is a good bill. It is a bill that has been proposed by the President and has been approved by the Democratic chairman of the Banking and Currency Committee, on which there is a majority of Democrats, and brought before this House with the approval of that committee. It seeks to make possible protection to the small home owner. It seeks to make it possible for him to save his home by the renewal of his loan, or to build a small home and secure a loan upon it.

If there ever was legislation that is justified it is this bill, to establish these home-loan banks. This bill has been very, very carefully considered. The gentleman from Wisconsin [Mr. REILLY] has been the very able chairman of the subcommittee, and he and the gentleman from Massachusetts [Mr. LUCE] who introduced the bill in this House have spent weeks with the subcommittee in holding hearings on this bill. They have brought it here with their entire approval. I ask my friends on both sides of this House to accept the judgment of those gentlemen and to pass this bill with a splendid majority. We need it in this country. All over this broad land the little home owner is being threatened with foreclosure on the home he loves and lives for. This bill will give him relief, and I ask you to vote for the bill. Be not led astray by those who have a violent disease, to attack everything of a financial nature in the country. [Applause.]

The CHAIRMAN. The time of the gentleman from Kansas has expired.

Mr. REILLY. Mr. Chairman, I yield to the gentleman from Louisiana [Mr. OVERTON].

Mr. OVERTON. Mr. Chairman, the Federal home loan bank bill is twofold in its purpose and effect. It is intended both as a present emergency relief of, and as a permanent aid to, a class of institutions and a character of people which and who constitute the most stabilizing influence in our national life.

What are these institutions? They are the home-building, home-improving, and home-financing organizations of our country. They are scattered throughout the Nation. They are located in every State of the Union. The home-stead associations alone, without taking into consideration the State banks, insurance companies, and other proposed beneficiaries of this bill, financed over four and a half million homes during the decade of 1920 to 1930. These associations have so grown in popular favor and confidence that they enjoy a membership of over 12,000,000 of our people and assets of over \$8,000,000,000.

Who, Mr. Chairman, are the people to be aided by the creation of Federal home-loan banks? They are chiefly the wage earners and small-salaried people who, under the building and loan plan of small weekly and monthly payments, are putting their hard-earned savings into the acquisition of homes for themselves, their wives, and their children, who are investing their meager savings in the greatest incentive to good, sturdy citizenship and love of country to be found beneath our flag, and that is the American home.

This bill, when enacted into law, will, as an emergency relief measure, aid the homestead associations in extending leniency to borrowers and in refinancing short-term mortgage loans held by other institutions which, under the pressure of this disastrous period, are demanding and enforcing by foreclosure the settlement of their mortgages and are driving from their homes thousands upon thousands of American citizens to walk the streets with the savings of years of toil and self-sacrifice literally wiped out. As a means of permanent aid, the proposed Federal home-loan banks will stabilize the great work and business of our building and loan associations and serve as a bulwark against the sacrifice of American homes in periods of future depression.

Who else, Mr. Chairman, are to be benefited if the pending bill be enacted into law? It will be for the most part wage earners and salaried people, who, encouraged to thrift and moved by the praiseworthy desire to accumulate something to be used as a protection against illness, hard times, unemployment, and other disasters, have invested the dimes and dollars of their savings in what has been, almost without exception, an absolutely safe and sound investment until the unfortunate advent of the present general financial collapse.

In what plight do they find themselves, these small investors, hundreds of thousands of whom are without employment and without funds? They find themselves, in many instances, unable to cash in their savings, unable to realize upon their shares of installment stock. The situation arises through no mismanagement or fault of the homestead associations, but has been superinduced largely by the fact that in this trying period the demands for withdrawals, prompted by the stern necessities of the hour, have been more than many of the building and loan associations have been able to meet.

Our National Government, ladies and gentlemen of the committee, has gone to the aid of commercial banking by the establishment of the Federal reserve system. It has gone to the aid of our farmers by the establishment of the Federal farm-loan banks, and through crop-production advances. It has gone to the aid of bondholders and stockholders and creditors of our railroads and insurance companies, and the depositors and creditors of our commercial banks through the Reconstruction Finance Corporation. Why, then, should we hesitate to declare that the United States shall, through a perfectly sound investment of only \$125,000,000, shortly to be refunded, go to the temporary rescue and permanent aid of home-building institutions, and of the home owners and small and humble investors of this Nation, who to-day constitute our surest pledge against the perils that threaten the safety of our Government?

The enactment, Mr. Chairman, of this bill into law will place upon our statute books one of the most constructive measures that in recent times have engaged the brain and purpose of our National Congress. [Applause.]

Mr. REILLY. Mr. Chairman, I yield to the gentleman from Washington [Mr. HILL].

Mr. HILL of Washington. Mr. Chairman, the time and thought of this Congress have been principally occupied in the effort to find the means of thawing out frozen assets and restoring confidence and credit necessary for the orderly business of commerce. Credit is based on confidence and confidence is based on security values. Security values in this crisis are almost wholly dependent upon the fact of whether they are readily negotiable and whether they can be

promptly converted into liquid form. Fundamentally the safest and soundest securities are those issued upon real estate on a conservative basis of value. There are about twenty billions of dollars of investments in home-loan mortgages in this country. These are for the most part long-term loans, and while they are basically safe, they have little liquidity and are therefore not readily negotiable. They constitute a \$20,000,000,000 block of frozen assets, since the banks refuse to advance loans on securities not capable of being readily converted into cash. Everyone recognizes the fact that the banks are under such fear of withdrawals that they are liquefying as fast as possible their securities and holding their cash for emergencies that may arise. A national credit system has heretofore been set up for operation in certain limited fields. The Federal reserve system was enacted to provide a large reservoir of credit for commercial and industrial interests. The Federal farm loan act provides national credit for farm loans; the intermediate-credit system, which is subsidiary to the latter, is designed to supplement the credits for agriculture in providing short-term loans for crop-production purposes and other activities incidental to agriculture. The home-financing field has been left out of this national credit program. The present bill proposes to include it in the national credit scheme.

The committee report on the bill contains this descriptive statement of the proposed home-loan bank system:

The home-loan bank system created by this bill will consist of from 8 to 12 Federal home-loan banks in districts to be determined by a Federal home-loan board, consisting of five members appointed by the President. Building and loan associations, co-operative banks, homestead associations, savings banks, trust companies, and other banks with time deposits (except national banks), and insurance companies, if subject to inspection and regulation under the banking laws or under similar laws of the State or the United States, are eligible for membership. The members will supply the permanent capital and upon joining a bank will be required to subscribe for stock amounting to 1 per cent of the home mortgages held by each such member, with a minimum amount of \$1,500.

Eligible institutions in States whose present laws do not permit stock purchase are admitted to borrowing privileges by deposit with the bank of cash or Federal Government securities equal to the amount of the required stock subscription. This will be permissive pending the enactment of State legislation authorizing full compliance by subscribing institutions with the provisions of the act. * * * Each of the banks is to have 11 directors, 2 appointed by the Federal board, 3 elected by the small-sized members, 3 by the medium-sized members, and 3 by the large-sized members. * * * All members may borrow from a Federal home loan bank by placing mortgages with the bank to secure loans.

This bill is designed particularly to aid the small home owner in financing the building and buying of homes not exceeding \$20,000 in value. For such financing the owners of such homes must look to investors in home-loan mortgages, and to succeed in repaying the money thus borrowed it is necessary that long-term loans be secured. The average home owner must pay for his home in small payments at stated intervals or else accumulate his savings in a fund to make such payment in a lump sum at the end of the loan term. The great majority of those who are seeking to acquire homes are wage earners who are investing their savings in their homes. All of their reserve funds have been so invested. Many of these wage earners have been thrown out of employment and are no longer able to keep up the payments.

The loans are becoming due and the mortgage companies and banks are unable to grant renewals because of the necessity to meet their own obligations in cash and, further, because there is no credit reserve to which they can resort to rediscount the loans which they are now compelled either to carry or to collect.

The home loan bank bill provides a set-up to take care of this situation. The bill provides for the establishment of from 8 to 12 home-loan banks, to be distributed throughout the country, and provides a capital stock of not less than \$5,000,000 for each of such banks, to be supplied in the first instance through subscriptions to the capital stock by eligible member institutions and by a fund of not exceeding \$125,000,000 out of the Federal Treasury.

The home-loan banks, when in operation, are authorized to loan to a member not to exceed twelve times the capital

stock subscribed by such member. These loans are to be made upon the security of home-loan mortgages held by such member, but not in excess of 40 per cent of the appraised value of the mortgaged property at the time the loan is made to such member. This scheme provides a sure and ready resource for any savings or building and loan association or other institution engaged in making home loans, other than national banks, which are eligible to become members of the home-loan bank through subscription to the capital stock thereof. By means of the moneys thus received a member is enabled to meet the legitimate withdrawals of investment accounts, to renew maturing mortgages on easy payments over a long term of years and thus avoid the necessity of foreclosures and the wiping out of the savings of the home owner invested in his property. This source of credit will place it in the power of the borrowing member to finance the home owner in paying his taxes and in repairing and modernizing his home. It will also enable the member, where the security is ample, to advance some additional money to the home owner to tide him over the period of unemployment and thus enable him to live in times of stress on the reserves which he has accumulated under normal conditions. It is universally conceded that the small home owner who is dependent upon mortgaging his home to finance his home ownership is now compelled in many instances to accept short-term loans at a high rate of interest, which it is impossible for him to meet at maturity. Also, he is frequently compelled to place a second mortgage on his home to secure necessary additional money to meet the payments on the first mortgage and other necessary expenditures, and to secure such second mortgage he must pay a still higher rate of interest and frequently a bonus or commission to a mortgage agency.

The home loan bank bill discourages short-term loans by providing for a larger loan on long-term mortgages than on short-term mortgages. It also encourages the amortization of loans over a long period of time in preference to straight mortgages for the payment of the total loan at the end of the maturity period. The home-loan agencies having this source of credit can avoid the necessity of loading themselves down with real estate taken in under foreclosures. It is, of course, recognized that foreclosures depress real-estate values and tend to impair mortgage securities. The effect of this bill will be to render liquid long-term amortized home loans. The set-up of the home-loan banks in each section of the country will constitute a clearing house between the areas in which there are available surpluses of money for home-loan purposes and those areas in which the demand for such loans exceeds the supply of money therefor. This set-up will constitute an agency for marshalling the available assets of the entire country for home-loan purposes and for use in every town and city of the Nation. As has been aptly said, "The system would pool the entire home-financing credit of the country for the benefit of every part."

The bonds of any one of the home loan banks will have back of them not only 190 per cent of unpaid mortgages for every dollar of bonds but the combined resources of all of the other home loan banks. Such bonds will have tax-exemption privilege except for gift, estate, and inheritance taxes and surtaxes, and will be second only to the United States Treasury securities in point of attractiveness to investors. There can be no question of the salability of the bonds and that sufficient moneys will be made available at all times to supply the credit necessary to carry out the purposes of this bill. At the present time, it is easier and less expensive to finance any business or industry or any commodity than it is to finance the building or purchasing of a home. This is due to the fact that the long-term home loan securities are not now liquid.

This bill seeks to make liquid such securities by placing back of them the great credit reservoir provided through the home loan bank system. Adequate relief for home loan mortgage securities can not be had through the Reconstruction Finance Corporation. That corporation can only make short-term loans, and by its very constitution is only a tem-

porary emergency agency and not a permanent factor in maintaining credits after the period of emergency has passed. The home loan bank system will meet the demands of emergency now existing and will continue as a permanent institution to stabilize home-loan securities on a basis of continuing confidence therein.

It will also stabilize the values of residential property and prevent disastrous fluctuations in such values through undue expansion or destructive deflation. It will restore and maintain confidence in residential property values through the stabilization of the loan values thereof. It will establish a sense of permanent security in home property investments. It will not only make available mortgage credits for such investments but will also provide a permanent source of such credits on a stabilized interest basis.

Under these conditions of security to the home owner in his holdings he will not hesitate to make the necessary repairs and improvements from time to time on his home property, thereby furnishing employment to labor and creating an increased demand for all building materials. It will be a great boon to the lumber industry and to other dealers in construction materials who also employ large forces of labor. In short, the ramifications of the benefits through new home-building construction and the repair and modernization of existing buildings will reach into every industrial activity of the country. Not only will the laborers on the building itself be benefited through the earning of wages but the lumber man, the brick man, the roofing man, the hardware dealer, and all other dealers in building materials along with the great number of laborers which they employ will be directly benefited.

The stabilization of such residential property values would in a large measure prevent tax delinquencies which are now embarrassing practically every municipality in the country. It is unquestionably true that many bank failures within the past two years were caused from being overloaded with non-liquid home-loan mortgages. Had this system been in operation in 1929 and this reservoir of credit available, many of such banks would still be operating, and thousands of homes would have been saved to their owners. Because of the non-liquid character of home-loan mortgages the home owner is the first person to feel the crushing effect of a financial depression.

The loaning institutions must of necessity begin their hedging operations at the earliest signs of such coming depression, and the first form of security that is placed under the ban is the home-loan mortgage because of its rigidity. This bill is designed to remedy that situation, and in my judgment it will do so. It is obvious that confidence in a security can not be maintained during times of financial stress unless that security is reasonably liquid in character. Any measure which will give to \$20,000,000,000 of security investments a readily marketable status whether in good or bad financial weather will go a long way toward keeping the economic ship on an even keel. It is equally true that a dead weight of \$20,000,000,000 of security values will unbalance the whole economic poise if it can not be liquefied. It is my opinion that the legislation here proposed is absolutely essential to the success of the program to rehabilitate credit conditions in this country. This legislation is not only necessary in the present emergency but it is equally necessary to prevent a recurrence of similar credit emergencies. Fear is the greatest foe to economic recovery or to the maintenance of normal economic conditions. Fear in its most exaggerated form is paralyzing the home-loan credit system of the country to-day. That fear and paralysis can only be relieved through setting up a great source of available credit such as this bill provides. When it is definitely known that this great block of \$20,000,000,000 of frozen securities can be made readily negotiable through tapping the reservoir of ample credit provided in this home loan bank bill, the fear of the home-loaning institutions will vanish overnight and a great step will be taken on the upgrade toward economic recovery. If the home-loaning institutions have assurance that in emergencies they have an unfailing source of credit at hand such emergencies will either subside or

will not carry with them a dread sense of paralyzing fear. If these institutions are in position at all times to meet emergencies they will not be disturbed when an emergency arises. In fact, the capacity to cope with a business emergency will in most cases prevent the occurrence of it. The relief program of this Congress can not be complete without the enactment of this legislation.

It must be borne in mind at all times that the ultimate purpose of this legislation is to help the small home owner. It is not within the province of this bill to furnish credit facilities for the construction or improvement of large industrial or business buildings, apartment houses or hotels, nor even of the high-priced homes. Under the provision of the bill no mortgage will be accepted on a home of greater value than \$20,000. The main purpose therefore is to bring relief to that great army of small home owners who constitute the mass and the rank and file of our people. If this great body of our citizenship is placed on a basis of security in their homes and are made self-sustaining in the maintenance of them and are imbued with the feeling of security in their holdings, their morale and courage will be strengthened and they will have a happier and more hopeful outlook on life. It is impossible to segregate the economic from the social conditions of a people. They are interrelated and interdependent. Easy economic conditions are the foundation upon which a proper social structure is built. A people can not be contented or patriotic when under a constant strain of fear that destitution and want may come upon them. The beneficial effects of this legislation will be far-reaching in bettering both the economic and social conditions of the people. This Government will fall far short of its duty if it neglects this opportunity to confer those benefits. I am absolutely certain in my own mind that this proposed legislation will effectuate in substantial measure the purposes for which it is designed. In the interest of the small home owner, which means in its broader sense the interest of the entire Nation, I am heartily supporting this measure. [Applause.]

Mr. REILLY. Mr. Chairman, I yield two minutes to the gentleman from Ohio [Mr. SWEENEY].

Mr. SWEENEY. Mr. Chairman, the opposition to this bill comes chiefly from the insurance companies and certain selfish bankers, groups which are now the beneficiaries of the legislation passed, known as the Reconstruction Finance Corporation.

I think the committee has epitomized the argument in favor of this bill on page 9 of the committee report, and it ought to insure the passage of this bill. It points out to the House that over 8,000,000 homes have been built through the operation of building and loan companies during the past 100 years.

Those of us who know something about the plight of the building and loan companies know they are in distress today. Some of the people who have their life savings in these institutions are living on a dole, so to speak, where boards of directors are able, without jeopardizing the financial structure of the institution, to give them thirty or forty dollars a month to live on.

This bill, if passed, will do more than the Reconstruction Finance Corporation attempts to do in the nature of trying to stimulate employment. I voted for the Reconstruction Finance Corporation legislation, hoping that the beneficial results would trickle down and stimulate employment, but we find that instead of stimulating employment, money to the extent of \$17,100,000 is loaned to the Missouri Pacific Railroad to pay off their current obligations to the house of Morgan.

This bill will do something for the little fellow, the fellow who has a family; the fellow who wants to paint his house or who wants to refinance his mortgage to keep a shelter over his family. It will bring work to many who are engaged in the various building trades, to carpenters, mechanics, and laborers who are now out of employment.

I dare say that the State of Ohio, in proportion to its population, has more building and loan associations than any State in the Union. Our State laws insure, and we do

have a strict supervision over the operation of these associations. Every necessary protection surrounds the investments of the members of these organizations. Millions of our people have their life savings tied up in building and loan associations and savings banks throughout the country. Unfortunately, millions of our people have lost their equities and their little homes because of the cruel process of foreclosure, undoubtedly necessitated by the economic upheaval and financial disaster experienced by the banks and savings institutions during the past two years. The opportunity to refinance their investment and to prevent foreclosure of home has been denied these unfortunate people. This measure, by stipulating that not more than 40 per cent of the value of the real estate can be advanced as a mortgage loan, and not more than \$20,000 can be advanced as a loan on home property regardless of its value, inures to the benefit of the little fellow. It is about time consideration be given to that class of our people who are the backbone of the Nation, the home owners of America.

If there be one measure before this Congress for consideration that will, in my opinion, stimulate employment, add to the sale of building material products, and restore public confidence throughout the land, it is this proposed Federal home loan bank bill before the House to-day.

Mortgage credit has not been available to the class who will benefit by this legislation. Vast amounts of frozen funds or assets invested by building and loan associations and savings banks in mortgages can be released when this measure becomes a law. Under its provisions long-term methods of home financing can be instituted, thereby eliminating the short-term loan, always expensive and dangerous to the average home buyer. The investors in these institutions who will benefit by the enactment of this bill need a stimulation of confidence which is lacking at the present time. I consider it a duty and a privilege, Mr. Speaker, to lend my support to this legislation which is equal, if not more important, to any measure enacted to date by the Seventy-second Congress.

Mr. REILLY. Mr. Chairman, I yield 14 minutes to the gentleman from North Carolina [Mr. HANCOCK].

Mr. HANCOCK of North Carolina. Mr. Chairman, it has been my privilege for the past two months to give a considerable part of my time to the study of this legislation, and I am frank to admit that to begin with I held considerable doubt as to its need and governmental soundness. However, the further I went into a study of the bill and the more thought and consideration I gave to its purpose the stronger my belief grew in its worthiness. I therefore find myself now strongly in favor of the bill. It is the last item in the President's program for economic relief and is, in my judgment, the best proposal which has been suggested by him so far as the average citizen is concerned. With certain amendments to be offered by the committee I can recommend it to you as socially and economically sound and desirable and legislatively wise. It gives us the opportunity to practice what we have been preaching with respect to our faith in home ownership and its wholesome effect upon American life. Protection to the home means protection to the Nation. Wreck it and you wreck the structure which has been erected through years of effort, planning, sacrifice, and determination. Remember, without the home there is nothing left worth while. Its perpetuity with security, safety, and happiness is the hope of the hour and the greater future.

The Federal home loan bank bill is designed primarily to foster the development of the American home. No explanation is needed to show the importance of the home in our social, political, and economic life. It is universally recognized that one of the fundamental steps to be taken in promoting progress in this country is to foster home ownership in every possible practical and sound way.

The ambition of every worthy American citizen is to be a home owner. It is our duty, as representatives of the Nation's citizenry, to provide the means whereby this ambition may be realized. It is an idle waste of words and time for us to stress the desirability of home ownership in

one breath and in the next leave the home owner to wrestle, unaided, against the threat of dispossession and foreclosure in times of business depression, like that which the Nation is now experiencing. We can not, in common fairness to the citizen, urge him to become a home owner without attempting to protect and safeguard him in that ownership so far as possible.

Home ownership can not be encouraged, fostered, or promoted on a short-term or demand-payment credit basis. The cry of commercial bankers to-day that their real-estate loans are frozen only echoes the utter inadequacy of existing credit facilities and reveals the consequences of our neglect to safeguard adequately one of the most vital economic and social phases of our civilization.

Short-time credit not only is inadequate and uneconomical but it simply means a constant renewing of an advance previously made or periodic searching for another source of credit to pay off a loan falling due. It is obvious that if credit is to be most economically advanced to the home owner, it must not be for 60 or 90 days, or for 1 year or 3 years or 5 years, because the average purchaser of a home can not expect to be able to accumulate sufficient over and above living expenses to be able to completely pay off the loan in such a period of time. A type of credit which will meet his needs is one which will not mature until his savings over many years will be sufficient to repay it entirely. He must have credit which does not need to be repaid in its entirety in periods less than 8, 9, 10, or more years.

Because practically all purchases of homes are made with the use of credit, the market and therefore values of homes are peculiarly dependent on there being at all times sufficient credit facilities for new purchases. Whenever the supply of this credit dries up because of general business conditions, the values of homes are certain to fall. This has been one of the great deterrents to home ownership in the past.

The repayment of borrowed money for the purchase of a home means that a substantial portion, if not all, of the savings of the owner are tied up in his home. If home ownership is to be promoted, some method whereby these savings can be realized upon in case of an emergency for living expenses must be developed. The periods when it is most likely that such savings will be needed, that is, periods of economic distress as under present conditions, are precisely those times when it is difficult, if not impossible, to secure the loan which would make available the savings in the home. This is not as it should be; and if we are to promote increased home ownership, we must make some provision to care for these needs.

Because of their permanence and the length of time which they are used, homes from time to time require modernization and repairs, and normally such expenditures provide a considerable amount of employment and are the source of employment for important business interests. However, the time when such repairs can be most economically made, that is, during periods of low price levels, is also the time when it is most difficult to secure credit for them, even on the security of the home as a whole. If, during periods of economic distress, funds for such repairs and modernization could be made available, it would constitute an important source for relief to unemployment and falling business activity.

For large numbers of people the building of a home according to their own plans is an important motive for saving and thrift. During periods of business activity and high prices they are advised to postpone this building until a little later, when it can be done at lower prices, only to find that if they delay until the lowered prices are actually reached, they are unable to receive the additional financing which is necessary.

These facts all bring out the point that if home ownership in America is to be fostered, if this very foundation of our vaunted American civilization is to be maintained, we must make provision for a continuous and adequate stream of credit in the home-financing field and make certain that

such credit will be available in periods of business depression even more than in periods of prosperity.

This is precisely the purpose of the Federal home loan bank bill. It is designed not only to assist home-financing institutions in supplying the much-needed credit during periods of economic emergency but also by setting up a permanent system, to make available the type of credit which is so essential, namely, long-term, monthly-installment credit. Thus, in cases of future emergencies—and history gives us no reason to believe that such emergencies will not occur again and again—the reserves of the home-financing institutions can be pooled and the necessary relief agencies will be ready and available to prevent conditions becoming acute, as at present.

The purpose of the home loan bank bill therefore is to foster home ownership by insuring that there will be available adequate, long-term mortgage credit. It will be conservatively and economically used, because any violation of sound mortgage practice will primarily and immediately react to the financial detriment of the home-financing institutions to whom this credit is made available.

There are four major sources of first-mortgage loans on small homes in this country. The largest single source is the building and loan association; then are the insurance companies, banks, and private investors. To-day these home-financing institutions are in a critical condition. The funds of building and loan associations come primarily from the savings of the wage earner or the small investor, and to-day unemployment and decreased incomes require that in many cases the small saver use part or all of his savings for living expenses. When such savings are withdrawn, it means, of course, that the building and loan association can not make any home-mortgage loans. The fact that their money is in long-term mortgages, which can not be turned into cash, means that when many of their savers are, as now, asking for and in urgent need for their funds, they are not able to pay them.

Similar stringency of mortgage funds has developed in the case of insurance companies. The same type of saver and investor who is withdrawing from the building and loan association is attempting to secure some of his savings from the policy loan or cash surrender value of his insurance. In one case the policy loans of an insurance company have increased 500 per cent within a period of two years. Some insurance companies are unable to renew their three to five year mortgages, which are now coming due and are asking for payment, in whole or in part, precisely at a time when the home owner is unable to secure his renewal funds from any other source. The policy of life insurance companies in their home-mortgage operations has always restricted them from serving a great class of legitimate home owners. Most of them lay down a flat rule that they will not make mortgages in cities of less than a certain population, frequently 50,000, and they will not make loans on homes more than a certain number of years old, preferring, in fact, the new homes. Frequently they will not make loans for less than \$4,000 or \$5,000, which cuts off entirely a large proportion of the families in the United States. On the whole, insurance loans have been very conservative, 40 per cent or 50 per cent, or, at the most, 60 per cent of the value of the property, which means that, in order to secure the financing necessary for a home purchase, the borrower must take a second mortgage with its ruinous high rate of interest and discount. Such rules are required by the fact that the insurance companies loan through agents and not directly and, therefore, do not have the personal, local contact. They must, therefore, lay down regulations which will bring only the most conservative loans to them.

These points are raised only to show that, from the very nature of things, under normal conditions and even more so in the present emergency, life insurance companies can not be depended upon to take care of the home-credit needs. In many localities they are not in a position to renew all of their mortgages which are now falling due, thus forcing foreclosures which could be avoided if these loans

could be taken up by building and loan associations. The large insurance companies have been the principal opponents of the home loan bank bill.

The situation with regard to inability to renew loans and the very general drying up of credit for home mortgages is even more pronounced in the case of banks. Where a bank has failed, one of the things which must be done is to liquidate its assets, and this means that mortgages held by the bank can not be renewed, but must be collected in full. Foreclosure must take place, even though the borrower has kept up his interest and principal repayments right to the minute. Through no fault of his own he loses his home because he has no other source of credit to which to turn. The property must be sold at whatever it will bring through foreclosure in the process of converting the assets of the banks into cash to pay off depositors and other creditors.

Private investors can not possibly furnish all the funds which are needed.

It is time that steps were taken to definitely foster and develop the long-time amortized, or installment, loan, which is the only type which really meets the requirements of the home owner. In the case of short-term loans, the borrower is at all times at the mercy of the lender with regard to renewals. He must definitely contract to repay the principal amount at the end of a certain period and must do so either by securing another loan from the same source or go somewhere else. In times such as the present the home owner is unable to secure those renewals or those new loans. The lender may foreclose, and in hundreds of thousands of cases at the present time is doing just that. The result is that in practically every community homes, taken by foreclosure are being thrown on the market at forced sale, with the inevitable result of falling values further impairing the security of other home owners. Even when renewals are made the old renewal system, as it is frequently practiced by lenders on short-term mortgages, results in annual or biannual commissions and thus increases the financing charges to the struggling home owner.

A prime purpose of the home loan bank bill is to promote the development of the long-term amortized mortgages which are so essential for further home ownership. Because there is no reserve system, no system specifically designed to purchase this type of long-term mortgage, the home-mortgage situation to-day is in a deplorable condition, and home ownership in the United States seems doomed to receive a setback from which it may not recover for a generation or more. If funds are to be attracted into this field, even in the future, there must be some system set up to counteract the lack of availability which makes investments in this field unattractive. It is one of the most vital problems that have confronted Congress for a long time.

There have been some objections raised to the Federal home loan bank bill. These have emanated, as it seemed to me, entirely from the motive of protecting the interests of persons who feel that their present business may be affected by a system which will improve the position of the home owner. They do not, I am convinced, come from the home-mortgage borrower, or the home owner himself.

It has been stated that the result of this bill would be a wave of speculative and inflationary home building, which would impair the value of the property now in existence. One of the premises on which this argument is based is that, in general, we already have too many homes. When we consider the deplorable housing conditions of a large part of our populace and when we consider the impossibility, under present home-financing conditions, of the lower income groups ever hoping to own their own homes, it seems to me that this argument falls of its own weight. As a matter of fact, the bill has been specifically designed to anticipate any possible danger of the financing of building booms. The Federal Home Loan Board, with more authority than either the Federal Reserve Board or the Federal Farm Loan Board, has the power to absolutely prevent the resources of the system from being used in such a manner as to result in inflationary and speculative building, which no one desires.

That the decrease in the value of homes has not been proportionate to the general fall in prices has been due, not to the fact that we have more homes than we can use but to the fact that there is not enough credit to assist the purchaser who is waiting for just such a time as this to buy his home but who is kept from doing so because he can not secure a proper and legitimate loan. In practically every community there will be found a legitimate demand for additional homes, built according to the plans and desires of people who have been saving for this purpose for years. Even this limited amount of building, with its employment of skilled labor in the construction industries and with its demand for lumber, bricks, cement, and so forth, would be an important factor in bringing about improvement in business conditions.

Under the Federal home-loan bank system loans will be made under the supervision of institutions who have their own funds invested in the home-financing business. If they make poor loans or if they make loans in such amounts as to bring about speculation and inflation, it will impair the value of their own investments in this field, because they will be the first ones to be hurt by it. We can depend on the good business sense of these institutions not to bring about speculative overbuilding, particularly when this judgment will, in turn, be backed up by that of the members of the Federal home-loan board. Any loans for building purposes which would be made in the near future would be made only to persons who want to build homes for themselves rather than to speculators.

It has been claimed that there is no need for this reserve system because there is plenty of money available for home mortgages. This is not borne out by the facts, however, as, with the exception of a few communities, there are no first mortgage funds available. A survey of several hundred building and loan associations, for example, in many communities throughout the country, indicates that they have applications for first mortgages from persons who have tried and who can not secure funds from other sources, in amounts greater than they can take care of for months, or even years, to come. There is genuine and overwhelming distress on the part of home owners who are dependent on mortgage-financing institutions, and there is no question of the need for additional funds in this field.

In some sections of the country there has always been a dearth of home-mortgage funds, and it was shown on good authority that building and loan associations, for example, in those sections are habitually six or eight months or sometimes a year and a half behind their applications in making loans. In other words, the home-financing institutions have not been able to meet the need even in normal times and can not begin to even approach it at present and possibly not for some years to come. This is a situation which should not exist in a country where it is desired to foster home ownership.

It has been objected that the Federal home loan bank bill would create a new banking system. If the objection is based on the idea that it would create a system rivaling in scope of operation that of the Federal reserve bank system, the objection is entirely unwarranted. Although the bill provides that the 12 home-loan banks may accept deposits, these deposits can only be from the Government or from their member institutions and will not be subject to check and will not be used in financing commercial operations, but are retained in the home-loan business. The Federal home-loan banks will have no conflict with the Federal reserve banks because they cover fields which complement and supplement rather than compete with each other. The Federal reserve bank system is designed primarily to care for the short-time commercial-credit needs of the country. The Federal home-loan bank system will care only for the long-time credit needs of the home financing business.

The bill will create a banking system in that it will provide for mobilizing the reserves for long-time home-mortgage financing institutions. It will make those reserves more effective by pooling them and will permit the transfer of

this type of funds from places where it is not needed at a particular time to other places where there may be a genuine need for it. So that while in this sense a new banking system is created, I am convinced that it is one which is sorely needed to complete the financial structure of the Nation and one which will not in any way conflict with the other systems which Congress has seen fit to set up.

One of the purposes of the home loan bank bill is to remedy the present dire conditions in the home-financing field, but this is by no means its only purpose and possibly not its most important one. It is fundamentally a means of long-range economic planning to secure for the home owners and prospective home owners of the country an adequate supply at all times of the necessary long-term credit, credit that is related to the amount paid in the purchase of a home, the amount which the purchaser can pay down in cash, and the amounts which he can set aside year by year to pay off his mortgage. The control features in the bill, granting considerable power to the governing board, will permit the real economic planning for the general well-being of the Nation by restricting advances during times when funds are abundant, with a view to making them more available when other credit sources begin to dry up in periods of decreasing business activity, and can thus be of major assistance in alleviating the harmful effects of the business cycle.

The home loan bank bill is composed of 27 sections. So far as its details are concerned, the bill was very largely drawn from the Federal reserve act and the farm loan act and, therefore, much if not all of the machinery has been thoroughly tested through the years these systems have been in operation. However, the present bill is, in my judgment, better drafted than either the Federal reserve act or the farm loan act or some of the previous banking legislation which has been passed by Congress.

The first two sections of the bill deal with the name Federal loan bank act and definitions important to a later understanding of the measure. For example, "home-mortgage loan" is defined to be a first mortgage on residential real estate, housing one or two families. Other definitions clarify and make certain the meaning of terms which are frequently used in the bill.

Section 3 provides that continental United States and the Territories of Alaska and Hawaii shall be divided into 12 districts by the Federal Home Loan Bank Board. The Federal home-loan bank shall be established in each district in a city designated by the board. The apportionment of the districts is to be done with due regard to the convenience and customary course of business of the institutions eligible for membership, but no district shall contain a fractional part of a State. Twelve banks will be set up, providing a decentralized home-mortgage bank system. These 12 banks, located in different parts of the country, will be able to quickly and economically serve their members. The number of banks may later be decreased by the board if the volume of business does not justify the original 12.

Section 4 provides that only institutions organized under the laws of any State or of the United States and subject to inspection and regulation under the laws of the State or of the United States, which, in the judgment of the Federal Home Loan Bank Board, make long-term mortgage loans and whose financial condition is satisfactory to the board, shall be eligible for membership. The eligible institutions are specifically set forth as building and loan associations, cooperative banks, homestead associations, savings and loan associations, savings banks, trust companies, other banks except national banks and insurance companies. The primary purpose behind this section is to set up a system which will be sound and permanent and which will foster the objectives of the bill—that is, adequate long-term credit facilities for home owners. For this reason, since the system is built up on member institutions, it is important that only regulated and sound institutions be admitted.

It is intended in this bill to definitely divorce the two inconsistent types of credit advances, that is, the short-term commercial lending and the long-term home mortgage financing. Experience has amply shown what has long

been known to students of banking, that it is dangerous for institutions to use short-term demand deposits to make long-term loans. For the safety of the system, it is important that only those institutions who can economically and safely make long-term loans be admitted.

Section 5 provides that the board shall determine a capital of each of the banks with a minimum of \$5,000,000 each. The board shall open books in each district for subscription to the capital stock of the bank in that district. This stock will be divided into shares, with a par value of \$100 each, and each member institution must originally subscribe for stock to a minimum amount of \$1,500, or 1 per cent of the aggregate of the unpaid principal of the subscriber's home mortgages. The amount of stock held by each member will be adjusted from time to time so that the member will at all times have invested in this stock an amount at least equal to that calculated in the same manner as the original subscription. The stock subscriptions may be paid for in cash or in installments, with a minimum of one-fourth payable at the time of the filing of application and the balance payable at least one-fourth at the end of each succeeding period of four months.

In case the State laws governing an institution otherwise eligible for membership do not permit subscription for stock, it may, in lieu thereof, deposit with the bank an amount of cash, short-term debenture bonds issued by the bank, or Federal Government securities equal to the amount of the required stock subscription. This is designed as a temporary provision to bridge over the time until the State laws can be changed to permit participation of building and loan associations and banks by stock subscription. If State laws are not changed to so permit stock ownership by the end of 42 months after the enactment of the home loan bank bill, institutions that have secured their membership by such deposits shall cease to be members.

The Secretary of the Treasury, on behalf of the United States, is to subscribe for that part of the minimum capital of each Federal home-loan bank as is not subscribed for by the members within 30 days after books have been opened, with a maximum of \$125,000,000. After the amount of capital of a Federal home-loan bank paid in by members equals the amount paid in by the Secretary of the Treasury, one-half of the sums thereafter paid in as capital shall be applied to the payment and retirement of the stock held by the United States.

Provision is made for the withdrawal of any member from membership in a bank six months after the filing of written notice, and the board may, after hearing, remove any member from membership if it has failed to comply with the provisions of the home loan bank act or the regulations of the board.

Dividends up to 2 per cent are to be paid on stock subscribed for by the United States.

This section 5 thus insures that the home-loan bank system will have resources to take care of present emergency needs, and that as many institutions as possible may receive the benefit of it. It is proposed that the United States shall not make a permanent investment but shall purchase stock only in order to permit immediate operation; and therefore this section provides for the retirement of that stock from later capital-stock subscriptions of member institutions. The required stock purchase by member institutions has not been made so high as to be burdensome or to keep out any worth-while institutions. At the same time, since it is the intention to permit the retirement of the Government funds placed in the system as soon as possible by securing additional capital stock through new member institutions, the amount of such stock participation by these member institutions must be sufficiently large as to rapidly supplant the Government's investment. One per cent of the unpaid principal of the home mortgages of the member institutions has seemed to fit both of these objectives.

Section 6 vests the management of each Federal home-loan bank in a board of 11 directors, 2 of whom shall be appointed by the Federal Home Loan Bank Board. The other 9 are divided into three classes, and for the first year all

will be appointed by the board. The board is to divide the members of each bank into three groups, designated as A, B, and C, respectively, and representing as fairly as possible large, medium, and small members, according to the net value of their holdings of home mortgages. In the election of directors, 3 class-A directors shall be officers or directors of a member in Group A, 3 class-B directors shall be officers or directors of a member in Group B, and 3 class-C directors shall be directors or officers of a member in Group C. Each member may nominate suitably qualified persons for election as directors of the class corresponding to the group to which such member belongs, and each member will have one vote for each director in its class. All directors are to serve for three years. The board is to designate one of the directors of each bank to be chairman and one to be vice chairman of the board of directors of each bank.

Section 7 provides for the examination by the board of the laws of the various States from time to time, in order to determine whether there will be adequate protection to a Federal home-loan bank in making or collecting advances under this act.

Section 8 provides that any member shall be eligible to apply for advances upon the granting of an application or permission to apply, which application shall be in a form as required by the bank of which it is a member, with the approval of the board. This provision gives the home-loan banks the power to set up conditions of application which will insure the proper working of the system.

Section 9 gives each of the Federal home-loan banks authority to make advances to members who have become eligible to apply for them upon security of home mortgages, subject to regulations, restrictions, and limitations prescribed by the board. Such advances are subject to the following limitations: If they are secured by a home mortgage in connection with an amortized home-mortgage loan with an original term of eight years or more, the money advanced to the member may not be in excess of 60 per cent of the unpaid principal of the home-mortgage loan; if the advance is secured by home mortgage given in respect to any other home-mortgage loan, it shall not be in excess of 50 per cent of the unpaid principal of the loan. In no case shall the amount advanced exceed 40 per cent of the appraised valuation of the real estate securing the home-mortgage loan. No home mortgage can be accepted as collateral for an advance if the home-mortgage loan has more than 15 years to run to maturity. The appraised valuation is to be established by certification by the borrowing member or other evidence as the board may require it. Each bank has the power to make or to require to be made such appraisals and evidences. No mortgages on homes valued at more than \$20,000 are eligible for rediscount.

The provision that any mortgage eligible for collateral for an advance from a home-loan bank shall not exceed 40 per cent as to unpaid principal of the appraised value of the property, seems to be entirely reasonable, in view of the desire to set up a thoroughly sound and conservative system. Members, of course, can lend 60 per cent or 80 per cent entirely as they see fit and can raise money on such mortgages up to 40 per cent of the property value. The home-loan bank system is not to be used to furnish a major or large part of the assets of any of the member institutions. It is to supplement those assets with the idea that they will still continue to receive their funds from their customary sources.

The advances, in addition to the security mentioned, shall be made on the note or obligation of the member bearing such rate of interest as the board may determine. At no time shall the aggregate outstanding advances to any member exceed twelve times the amount paid in by such member for capital stock subscribed for by it.

These provisions are inserted to provide unquestioned safety for the home-loan banks and for the bonds which are to be issued against the home mortgages. In issuing bonds, each bank must place in the hands of the registrar home-loan mortgages whose unpaid balance is twice the

amount of bonds issued. This means that each \$100 of bond will have practically \$200 of unpaid mortgage behind it and a minimum of \$250 of real-estate value. This insures a safe and conservative type of institution and the bonds should be readily salable.

Section 10 gives the general powers and duties of the banks. Subject to the approval of the board each bank may borrow money and give security and issue bonds or debentures secured by home mortgages.

The rates of interest upon the notes, debentures, and bonds of the banks shall be approved or determined by the board except that no bond or debenture within seven years after the enactment of the act shall bear interest in excess of 5½ per cent, and no bond or debenture issued thereafter shall bear a rate in excess of 5 per cent.

The banks will be jointly and severally liable on obligations issued by any bank. Each bank may have power to accept deposits, but only such as are made by its members or by other Federal home-loan banks. These deposits will not be subject to check, and interest in excess of 2 per cent can not be paid on them. No bank may transact any banking or other business unless expressly authorized by the act.

The funds which may be deposited by member institutions with the Federal home-loan banks are those which have been placed in these institutions to be used in the home-financing field. If they can not be used at the moment by one member institution, it is altogether fitting that they be placed with the home-loan bank by that member so that they can be made available to other members. Since these funds have been definitely earmarked for home-financing purposes, their deposit with the Federal home-loan banks will in no way be detrimental to the commercial or agricultural interests of the country. These deposits will assist in the free flow of mortgage funds throughout the country, tending to equalize interest rates and to make home ownership equally available to citizens in all localities.

The board is authorized to permit and, in case of an emergency, to require Federal home-loan banks to rediscount the discounted notes of members held by other banks, or purchase the bonds by another bank, or to make deposits with other Federal home-loan banks. The rates on which these discounts or purchases and interest payments are made shall be fixed by the board.

Each bank shall at all times have an amount equal to the sums paid in on outstanding capital subscriptions of its members plus an amount equal to current deposits received from its members invested in United States securities, cash in banks, or advances to members with maturities not greater than one year.

The above requirement keeps each of the 12 banks sufficiently liquid to meet emergencies which may arise or to make short-term advances while long-time funds are being raised through bond issue. It is felt that keeping a proper portion of each bank's resources in Government securities and deposits in commercial banks will add to the strength of the banks and the popularity of their securities.

Section 11 provides that the directors of each bank shall make and file with the board an organization certificate when the bank shall become a body corporate and shall have the usual corporate powers such as that to adopt, alter, or use a corporate seal; to make contracts, to purchase, lease, to hold, or dispose of real estate as may be necessary or convenient to the transaction of its business; to sue and be sued; to employ and fix the compensation of its officers, subject to the approval of the board; define their duties and powers.

Section 12 provides that every Federal home-loan bank, including the capital and reserve or surplus and income derived therefrom shall be exempt from State, municipal, and local taxation except taxes upon real estate held by the bank. The bonds and debentures to be issued by the bank, and the income derived from them, will be exempt from Federal, State, municipal, and local taxation.

This section insures that through tax exemption the bonds issued by the Federal home-loan banks will have a ready

market at interest rates sufficiently low that they can be of real assistance to the home owner. Tax-exempt bonds have been issued for other financial institutions designed primarily to assist the farming interests of the country; and certainly the home owners, making up the backbone of the Nation's citizenship, are entitled to the same consideration. By adding to the taxable real estate in the form of homes for the local units, this tax-exemption feature in the act will increase the taxing powers of the local units and will more than make up for the loss of income to the Federal Government resulting from exemption of the bonds.

Section 13 provides that each Federal home loan bank may be designated by the Secretary of the Treasury as a depository of public money except receipts from customs, and it may also be defined as a financial agent of the Government. This provision is primarily to insure the constitutionality of the measure.

Section 14 provides that obligations of the Federal home-loan banks shall be lawful investments and may be accepted as security for any fiduciary, trust, and public funds under the control of the United States or any officer or officers thereof. Federal reserve banks are authorized to act as depositories, custodians, or fiscal agents of the Federal home-loan banks.

Section 15 provides that the Federal home-loan bank shall carry to a reserve account semiannually 20 per cent of its net earnings until the reserve account is equal to 100 per cent of the paid-in capital of the bank, and thereafter 5 per cent of the net earnings shall be added semiannually to the reserve account. Dividends can not be paid if the reserve shall at any time have been impaired below 100 per cent of the paid-in capital. The board may require from time to time that the Federal home-loan banks established additional reserves or make charge-offs on account of depreciation or impairment of its assets. No dividends shall be paid except out of net earnings remaining after all reserves and charge-offs have been provided for, and then only with the approval of the board.

Section 16 provides for the appointment by the President of the United States by and with the consent of the Senate of a Federal Home Loan Bank Board, composed of five members. One member is to serve for 2 years, one for 3 years, one for 4 years, one for 5 years, and one for 6 years. Thereafter the term of members shall be six years. Each of the members of the board is to receive a salary of \$10,000 per annum. The President of the United States shall designate one of the members as chairman of the board, who will be the chief executive officer.

This board has supervisory powers over the Federal home-loan banks and shall perform the other duties specifically prescribed and shall have power to adopt, amend, and require the observances of such rules, regulations, and orders as shall be necessary to carry out the purposes of the act. It will have the power to suspend or remove any director, officer, or employee of any home-loan bank.

It is essential in such a bank system that there be a central board with broad powers to act and to regulate the functioning of the system. In some respects, the powers of this board are broader than those of the Federal Reserve Board or the Federal Farm Loan Board. This is partly because the Federal home-loan banks will be dealing with diverse types of institutions, operating under different State laws and, therefore, considerable discretionary powers must be laid somewhere. The Federal Home Loan Board is the logical body to exercise such power. The compensation provided is adequate to secure men of real ability and it will require considerable ability to adequately administer the affairs of the system.

Section 17 appropriates \$500,000 to cover the expenses of organization and establishment of the banks until the end of the fiscal year, 1933. It also gives the board the power to levy semiannually upon the banks, assessments to be paid on an equitable basis sufficient to be derived for the estimated expenses of the board for the half year succeeding such levy, beginning with the first half of the calendar year

1933. If there is a deficiency the board has the power to make an immediate assessment against the banks.

This provision is necessary in order to permit the immediate and efficient functioning of the board in setting up the home-loan bank system and in making it operative under the present emergency needs with as little delay as possible.

Inasmuch as subsequent expenses will be paid by assessments against the banks, the system will be entirely self-supporting and there is no other more equitable way in which to secure the necessary funds to meet administrative expenses. After the system has been organized, however, there will be no further expenses to the Government and the whole administration will be self-supporting.

Section 18 gives the board power to select, employ, and fix the compensation of such officers, employees, attorneys, and agents as are necessary for the performance of its duties.

Under section 19 the board must at least semiannually, and may oftener, require examinations and reports of conditions of all Federal home-loan banks. The board shall also annually make a full report of its operations to the Speaker of the House of Representatives, who shall cause same to be printed for Members of Congress. Again, this provision assists in making certain that the Federal home-loan banks will be soundly and conservatively operated in accordance with this act and with the rules and regulations to be laid down by the Federal Home Loan Bank Board.

Section 20 provides penalties for false statement, overvaluation of security, forgery, embezzlement, and all the possible acts of dishonesty or irresponsibility that might be committed by anyone connected with the home-loan bank system or dealing with it.

Individuals, partnerships, and associations or corporations are not permitted to use the name "Federal home-loan bank" nor parts thereof in a way that would infer membership when such is not the fact.

Section 21 authorizes other departments of the Federal Government to make available to the board such information and reports in confidence as would assist them in carrying out the purposes of the act. This section also provides that every institution which applies for advances must consent to such examination as the bank or board may require.

Section 21, being a miscellaneous section, also includes two amendments to the national bank act, one amending it to insure the participation of national banks and another amendment treating of the taxation privileges of the States with regard to national banks and the other institutions included in the bill.

This section also directs the allocation of funds by the Reconstruction Finance Corporation to the Secretary of the Treasury, who in turn is to use the funds in making capital-stock subscriptions on behalf of the Government, which are to be made at the time the banks are established.

Section 22 provides for the preparation and custodianship of plates, dies, and forms for such stock debentures and bonds as may be necessary.

Section 23 permits the affiliation of a State home-loan bank or similar organization, which includes the majority of home-financing institutions of any one class in any one State. Such banks are now in existence in Massachusetts and New York.

Section 24 provides that every Federal home-loan bank shall have succession until dissolved by the board under this act or by further act of Congress. This is the usual provision with regard to such legislation.

Section 25 permits a Federal home-loan bank to establish a branch or branches within its district to facilitate its business. It also provides for liquidation, reorganization, and consolidation of Federal home-loan banks.

Section 26 specifically authorizes building and loan associations and other financial institutions organized under the laws relating to the District of Columbia or any other law of the United States to become members of the home-loan bank system.

Under section 27, if any provision of the act is held to be invalid, the remainder shall not be affected. This is a customary provision to support the validity of any part of such an act, even though certain minor portions may not be held to be valid.

Section 28 expressly reserves the right to alter, amend, or repeal the act.

To summarize, the Federal home-loan bank bill will fill a vital place in the financial system of the country. We have created reserve credit systems for commercial banks and for the agricultural interests and the providing of the same type of credit systems for the home owners should be of at least equal importance.

Home ownership occupies an important place, not only in the social but also in the economic life of the country. The construction of the single-family home is one of the important industries, employing millions of skilled laborers directly and indirectly through the furnishing of materials. It is well known that the home owner constitutes the best type of market for home furnishings, electrical appliances, and similar matters. When we promote home ownership we not only promote stable citizenship but we also develop a market for other industries. Normal mortgage credit to-day would eliminate half of our salable vacant homes because to-day, where buyers are willing, mortgage loans are not available to assist them in making purchases.

Home values and the financial security of the owner are dependent on credit. Mortgage money has disappeared when most urgently needed because those financing agencies secured their funds in large part from the same class of people as the home owner; that is, the small saver and investor. To-day this small saver has required his savings at the very time when the owner of the home was compelled to realize something on the savings which he had invested in that home. Thus institutions normally in the home-financing field have been compelled to withdraw from it in order to meet the withdrawal demands imposed upon them by their investors.

The result has been that the home owner's investment has been, from time to time, jeopardized by conditions beyond his control, and home ownership is falling into disrepute. The high mortgage rates, which are a direct result of inadequate funds, have also deterred prospective home owners. In some sections of the country, particularly those newly developed and therefore particularly needing funds to permit the development of the home-owning citizenry, those funds have not been available in anything like sufficient quantities and some interest rates have invariably been higher than necessary had there been such a system as in here contemplated in order to provide for a freer flow from one locality to another.

Insurance companies and banks have consistently and properly made only low percentage loans. So low, in fact, that a prospective purchaser of a home could not get enough funds for his purchase from them unless he had saved for many years. His alternative has been a second mortgage. The costs of second mortgages are known to us all. Financing through first and through second mortgages together has been too burdensome for any except those who were absolutely determined upon home ownership at any price. Second mortgages have discouraged millions of families from home ownership who would otherwise have owned their own homes.

Experience has proved that ample first-mortgage money in the hands of local lending institutions, such as building and loan associations, absolutely eliminates the necessity of a second mortgage if the home buyer can pay down 15 per cent or 20 per cent. This bill will help increase the amount of this kind of first-mortgage money and in its long-time effect will eliminate the burdensome and costly second mortgage.

The bill, through its sale of bonds, will also make available to the home owners sources of funds which have previously not been tapped. The usual bond buyers are not now in the home-financing field. Money gained through the bonds will be invested in American homes and will

benefit American industry, rather than going into the foreign countries.

Not only will this act be of immeasurable benefit to the home owner, but it will also be of real assistance to the small saver whose funds now, when he needs them most, are tied up in home-financing institutions, which have no place to turn to for credit in order to turn over to him the savings so sorely needed to pay for the necessities of life. By meeting the withdrawal situation of building and loan associations and the similar demands in other institutions, this bill will release purchasing power which is so essential to general business recovery. There is probably no action which Congress would take which would so beneficially affect so many classes and businesses in this country.

The home-loan bank system is designed to divorce two incompatible fields of finance—short-term commercial lending and long-term home financing. Present conditions have shown that it is dangerous, one might say suicidal, for long-term financing agencies to depend on short-term advances for their emergency needs. If we are to have the necessary flow of funds in the home-financing institutions, we must set up for them a nation-wide reserve system suited to their requirements, such as provided in this bill.

The most constant factor in the whole financial scheme of things is the value of the home. The raids of the bears, the advances of the bulls, the ups and downs of the stock market, to-day's or to-morrow's price of real estate, lumber, cement, or labor can neither appreciate nor depreciate the tradition, the sentiment, and the pride of ownership, which have been built into the four walls of every home. Our economic structure has no underlying basic value more constant than the American home. Wreck it and you wreck the Nation.

This legislation is intended to stimulate home ownership in normal times and to protect and safeguard that ownership in times of business depression and financial stress by providing a reservoir of credit for those institutions, the business of which is home financing. Not only is it constructive, forward-looking legislation but emergency legislation. If enacted, it will bring relief to thousands of deserving and distressed home owners who are to-day threatened with dispossession because of the lack of a dependable, scientifically designed central agency of credit.

If you believe in maintaining and encouraging home ownership in America, here is your best opportunity to show it. The future welfare of our great Nation depends upon the successful carrying out of the purpose of this bill. No sound or effective argument can, in my opinion, be advanced against the desirability of its objective. Remember, the world must move forward on the feet of little children, whose usefulness in life and patriotic citizenship in adult years is but a reflection of proper home influences and training. A vote for this bill is, therefore, a vote for the millions of children abroad in our land, whose voice is silent to-day but upon whom we must turn to-morrow for counsel and constructive leadership. A home for every worthy citizen's family is the safest insurance for the perpetuity of life, liberty, and the pursuit of happiness. [Applause.]

Mr. EATON of Colorado. Will the gentleman yield?

Mr. HANCOCK of North Carolina. I yield.

Mr. EATON of Colorado. I would like to ask where in this bill there is any help for the home owner who is now in trouble on his mortgage and who can not pay on his present mortgage? The people in trouble are those who own their homes and can not pay. Where will this bill help them?

Mr. HANCOCK of North Carolina. This bill is both an emergency measure and a permanent credit system designed to encourage and aid home ownership. As an emergency measure it will unquestionably afford relief under proper administration to those who are now struggling, against insurmountable obstacles, to retain possession of their homes, which, in many cases, they have been paying on for years. That relief and aid can be extended in several ways. Through discount privileges with the home-loan bank, financial opportunity is afforded to members of the associa-

tions which will permit them, because of unemployment and reduced incomes, to take up their mortgages from the insurance companies and mortgage companies, which are usually made for a stated period of time, and refinance their debts over an extended period through the genuine home-financing institutions, such as building and loan associations and cooperative associations. To illustrate: Suppose a man has borrowed from a building and loan association \$4,000. His regular monthly payments, with interest, would amount to \$60. Assuming that he has been in the association and has met his regular monthly payments over a period of about three years, his stock which is pledge with the loan would have a value of around \$1,800 to \$2,000, which would, in effect, amount to a reduction in the amount of his debt of that amount. As a result of this depression, his income by salary or wages has been so reduced that he now finds that the \$60 monthly payment is impossible. Under ordinary conditions the association could permit him to cancel out his old stock, file application for new loan of the balance which he owes, and thereby extend the maturity of his obligation for another full term, which would in effect reduce the amount of his monthly payment from \$60 to \$30 or \$35. With the establishment of the credit system proposed in this bill, the building and loan associations, notwithstanding heavy withdrawals and loans on stock of shareholders who are not mortgage borrowers, could secure sufficient funds by discounting other paper to aid the overburdened member borrowers by refinancing, as above illustrated. Through this one means alone this legislation would afford relief to thousands and thousands of individuals, and thereby insure final victory in the payment of their homes which they have been struggling for years to own free of debt.

Mr. EATON of Colorado. The gentleman means by that to make a moratorium for the past debt that is not paid?

Mr. HANCOCK of North Carolina. No; not a moratorium, but a sound, lenient, refinancing which is more desirable from every standpoint and which is in many cases all that is necessary.

Mr. EATON of Colorado. Then it is intended to extend the term for the payment of the whole loan to some longer distance into the future?

Mr. HANCOCK of North Carolina. Yes. Under this plan the effect would be to double the term for which the loan is to run. The great number of homes which would be saved, in addition to other natural benefits accruing to the individual borrower who is overburdened, can not be overstated. There is perhaps not a man in this Congress who does not know that foreclosures of homes have been and are being carried on in every town and city in the United States. It is hard to conceive how any situation could be more demoralizing and discouraging and calculated to have a more harmful effect upon the spirit and patriotism of a large number of our most patriotic citizenship. Many of us are wont to utter platitudes about the home being the backbone of the Nation and the supporting structure of its credit. This bill gives each of us the opportunity to legislate in the interest of the average citizen or little man, as some are given to describe him. As a matter of fact the little home owner should rightfully be termed the big man in our measurement of the real strength of the Nation's resources. Why, under this bill did you know that a mortgage on a piece of real estate for \$20,000 is only discountable for \$8,000? No mortgage covering real estate in excess of \$20,000 is subject to discount. Few of our good wealthy citizens own homes that cost less than \$20,000, whereas a very large majority of the poorer classes own homes which cost decidedly less than that figure. By careful perusal of the bill, together with the illuminatingly intelligent report prepared by Mr. REILLY, chairman of the subcommittee, it must be apparent to all those who care to know, that this legislation is truly and genuinely designed to aid people of small means. That fact alone makes it worthy, desirable, and exceptionally attractive to me as a matter of policy and legislation. In a sense it is somewhat of a new policy on the part of the Government, and similar efforts should be

encouraged by all of us in our earnest desire to insure equal rights and privileges under our Government.

Mr. LaGUARDIA. Will the gentleman yield?

Mr. HANCOCK of North Carolina. I yield.

Mr. LaGUARDIA. The trouble we are having in the big cities, and of course every one knows that there are a lot of little homes in the suburbs of big cities, is that when mortgages become due they refuse to renew them, refuse to extend the time, whereupon the little individual is forced to go somewhere else to make a loan, and he is charged a 25 per cent bonus in order to take care of the first mortgage.

Mr. HANCOCK of North Carolina. The gentleman from New York makes a splendid point and one which the subcommittee has had in mind during its entire consideration of the bill.

Mr. LaGUARDIA. How will the individual in such a case be protected?

Mr. HANCOCK of North Carolina. His protection can be accomplished in a very simple way. The individual will go to the building and loan association, make his application, and the association will in turn approve his loan. Immediate financial assistance can be secured for him by the association's discounting his paper with the home-loan bank. He gets his money from the association, and in turn takes up his mortgage from the mortgage company or insurance company which because of circumstances perhaps over their control they are forced to call in or refuse to renew.

Mr. LaGUARDIA. It is also provided that the building and loan association, this company, whoever makes the loan, a member of the home-loan bank, or whoever he is, will not be permitted to charge a bonus?

Mr. HANCOCK of North Carolina. The charging of a bonus or brokerage commission could not be done under the terms of this bill as it is proposed to be amended. It is my idea to offer an amendment which will limit the interest to be charged the member or nonmember borrower by a margin not to exceed 1½ per cent between the amount the bank pays on its debentures and the amount charged the borrower as interest for the loan. The charging of a brokerage commission or bonus would, of course, be inconsistent, foreign, and repulsive to the plan involved in this bill.

Mr. LaGUARDIA. How will it be prevented?

Mr. HANCOCK of North Carolina. This bill is designed to eliminate the possibility of the practice of the nefarious scheme which some companies have engaged in throughout the country for years, which make loans for a short fixed period of time, knowing at the time that the borrower will be unable to meet the payment of the principal at its maturity, with the result that the borrower has to request and sometimes beg for a renewal or extension. This, of course, places him at the mercy of the lender and forces him to accept helplessly the lender's terms, which in many instances requires the payment of another brokerage commission. This bill is designed to cure that evil in this country.

Mr. LaGUARDIA. How will the bill cure it?

Mr. HANCOCK of North Carolina. The bill cures it by providing a reservoir of credit to the true home-loan financing institutions so that they may secure low-cost and low-term credit, which in turn is extended by the association borrowers to its members. This is especially true with respect to the mutual building and loan associations which are usually operated with a small overhead and for the equal good and profit of all shareholders. This bill has been carefully and studiously prepared. A large part of the credit for the present finished product is due to the untiring labor, intelligence, and judgment of Mr. REILLY and Mr. LUCE. I feel that the membership of the House owe both of these gentlemen a debt of gratitude for their work in connection with this legislation. Since the administration of the bill involves members in all the States, with variable laws, it is, of course, highly technical. And, like every measure of this character involving banking laws, it has its imperfections. Time and practice will reveal these more vividly, and curative statutes or amendments will no doubt be needed as they come to our attention.

Now may I undertake to answer the argument of my good friend the gentleman from Missouri [Mr. WILLIAMS], who is to-day and has been opposed to this bill from the first word to the last word in it. It would be futile for me to undertake further to give you my personal reasons for this legislation. The 15 reasons for the bill set out in the report can not be added to or elaborated upon. They should satisfy every fair-minded man in this House of the need for and desirability of this legislation. These reasons absolutely and completely refute the argument of Mr. WILLIAMS that there is no need for the legislation. In addition to that, reference to the report will show that a majority of the representative financial institutions in the country, and the building and loan leagues in 40 States, believe in and favor this bill. The chief objections which have been raised toward and leveled against this legislation emanate from the mortgage bankers, mortgage brokers, and big eastern insurance companies. In referring to them I do not intend to impugn the motives of their representatives, but I can not but believe that their chief opposition has been sounded, because under this plan they will have a real competitor and much of their business will come to the real home-financing institutions, where it properly belongs. Of course, it must be recognized that some of these institutions which are opposing the passage of this legislation have in former years extended needed and desirable financial assistance in the matter of home and other building institutions.

I also desire to answer another objection which Mr. WILLIAMS has set out in his minority report and which he has stated to the membership to-day. It is true that under the different laws in the various States some of the home-financing institutions can not avail themselves directly of the benefits of this law; but I call to your attention the fact that by left-handed methods practically every State in the Union can take advantage of this bill.

Mr. WILLIAMS says that only seven States in the Union can borrow from the Reconstruction Finance Corporation for the reason that the others can not pledge as collateral their mortgage loans. The records do not bear out this statement, and I am in position to advise you that the Reconstruction Finance Corporation has to date made loans on mortgage collateral to building and loan associations in 18 States, and I am reliably informed that 12 additional States have applications for loans pending which it is reasonably probable will be favorably acted upon shortly. Part of this information is available in the report of the hearings, to which I most earnestly invite your attention and careful study.

Mr. MOUSER. Will the gentleman yield?

Mr. HANCOCK of North Carolina. I yield.

Mr. MOUSER. Does the gentleman know that in certain instances subsidiary corporations have been organized, the officers and stockholders of which are identical with those of the bank, whereby they buy these homes at foreclosure sales, and that many foreclosures are had because of the opportunity to acquire homes at the two-thirds appraised value by really the same corporation?

Mr. HANCOCK of North Carolina. Of course, I recognize that in some instances those things happen.

Mr. MOUSER. So they are entirely selfish. That is one reason they do not want this bill to pass.

Mr. HANCOCK of North Carolina. I am not disposed to sit in judgment upon the practices of any institutions about which I do not have personal knowledge. It would, of course, be reasonable to conclude that some institutions do engage in such practices, and that those practices are actuated by selfish motives.

May I undertake now to answer briefly the objections raised by my good friend Mr. STEVENSON, a member of our committee? His objection to the bill because it would permit the banks to issue tax-exempt securities is beyond my grasp at this time. I feel that he knows more about the wisdom of the further issuance of such securities than I do. I do not think, however, that the banks could sell their bonds at such a rate of interest as would enable cheap money for the member borrowers unless some special tax privileges are

granted. Practically all the other agencies have been accorded the tax-exemption feature proposed in this bill, and I hardly see how we could consistently deny that same privilege in connection with this legislation. It is my understanding that Mr. STEVENSON's main objection is that the benefits of this legislation are to be extended to State banks, trust companies, and insurance companies, and that all of these should be stricken out of the bill. Though I do not believe in discrimination, I am inclined to feel that this objection is well founded, especially when we consider the relief which has been afforded these institutions and keep in mind the true purpose of this bill. I want to see the relief afforded in this bill go to institutions which are primarily and secondarily, if you please, interested in promoting and encouraging home ownership rather than in making a profitable investment. This, in my opinion, to use somewhat of a vulgar expression but one which is very expressive, is the real guts of the purpose of the bill.

Mr. KETCHAM. Will the gentleman yield?

Mr. HANCOCK of North Carolina. I yield.

Mr. KETCHAM. Do I understand the gentleman from North Carolina to say that a man who is not a member of a building and loan association but who has a mortgage on his home may become affiliated with a building and loan association and thereby come under the provisions of this bill?

Mr. HANCOCK of North Carolina. That is true. Of course, the proper time is usually when a new series is opened, but I do not believe that there is any restriction which would prevent his coming in at any time by catching up with past-due payments which have been assessed since the beginning of the series. Of course, it must be remembered that the home-loan bank system is a central discount banking system to aid the associations and institutions and that no direct loans are made to the individual. The system contemplates the preservation of the local financing units, and this is unquestionably a most desirable feature.

Mr. MAY. Will the gentleman yield?

Mr. HANCOCK of North Carolina. I yield.

Mr. MAY. Does the gentleman mean to say that an individual may become a member of the association, so that he may borrow individually except through these associations?

Mr. HANCOCK of North Carolina. This bill is intended or designed to aid associations which are engaged in home financing on amortized or installment plan. As stated before, no loans can be made by the banks comprising the home-loan bank system to the individual borrower. The individual borrower makes application through the member association or institution, and that institution takes his mortgage loan and discounts it with the bank. This system affords to the present and would-be home owner a flexible system of low cost and long-term credit. Properly administered and as a permanent plan it should be a bulwark of financial strength and security to home owners.

Mr. MAY. I do not want the gentleman to misunderstand me. I am inclined to favor the bill, but I want to be sure it is going to reach the man who has a mortgage on his home.

Mr. SABATH. A man can join a building association and become a member, and that is the way he derives the benefits provided in the bill.

Mr. McCORMACK. Will the gentleman yield?

Mr. HANCOCK of North Carolina. I yield.

Mr. McCORMACK. I notice on page 2 that it is limited to dwellings of two families. Why is that limitation placed in the bill?

Mr. HANCOCK of North Carolina. Because the bill is designed to aid the man who owns and lives in his own home rather than the occupant of or investor in an apartment house or other similar structure. [Applause.]

[Here the gavel fell.]

Mr. LUCE. Mr. Chairman, I yield five minutes to the gentleman from Michigan [Mr. HOOPER]. [Applause.]

Mr. HOOPER. Mr. Chairman, it is a matter of supreme indifference to me who has the credit for the passage of this bill so long as it is passed by this House and eventually becomes law. If there is any recent credit I am very glad

to give it to the gentleman from Wisconsin, whose name the bill bears, and the gentleman from Massachusetts, both of whom have been working earnestly and, of course, very intelligently for months past in order to bring this bill to the point where it is to-day.

All of us here know that there is not so very much which can be accomplished by legislation to drag the United States and the world out of the depression which holds them in its grip to-day, but if it is possible that this bill can send down through the arteries of business and of commerce some of the credit which is so necessary to a revival of business, then the bill will justify itself.

My contribution to this discussion this afternoon—and I will not take all of the five minutes which have been allotted to me, because I feel the House is ready now to vote for this bill—will be in this way: This morning there came to my desk an editorial from an independent newspaper in my home town, Battle Creek, Mich. To me this editorial crystallized the arguments in favor of this bill in as concise a manner as anything which I have seen since the bill commenced to be seriously discussed. If there is no objection, I would like to read it to the committee at this time, and I shall read only a portion of the editorial:

The home-loan-bank system would encourage the building of homes by making it financially easier to build and keep homes.

It would provide protection for the home owners who are now in danger of losing their homes through foreclosures, which in many instances would mean the loss of the fruits of years of struggle.

The system would provide a way to tide over home owners who are in difficulty now, and a way for prospective home builders to realize their dream of a haven of their own.

Besides this, the system would give great stimulation to the building industry on which millions of citizens are dependent for their living.

Here is a plan which would encourage home ownership, stabilizer of citizenship, and a corner stone in the Nation, while giving immediate, direct relief to many ordinary citizens.

But this plan is not a panacea. It is not sensational. It does not offer much chance for anyone to wave his arms and fight imaginary enemies.

It is a good, common-sense bill, says the editor of this paper, which will at least try to bring to the small man—about whom we have heard so much lately—all we can bring to him in a legislative way at this time and under these circumstances.

I do not believe this bill is a panacea, as this editor suggests, but I do believe it is a step in the right direction, and that as far as legislation of this character can do it—together with the other things, which this House in a non-partisan way has accomplished this year, sometimes at the instance of the President and sometimes not at his instance—it will bring about that recovery to which all of us, Republicans and Democrats alike, are looking forward so anxiously to-day. [Applause.]

Mr. STRONG of Kansas. Mr. Chairman, I yield to the gentleman from West Virginia [Mr. BOWMAN].

Mr. BOWMAN. Mr. Chairman, the failure of the legislative program of the first session of the Seventy-second Congress to revive trade and commerce has brought forth a number of suggestions and propositions to remedy our present economic conditions. Without exceptions, the basic foundation of these proposals rests upon the ability of the Federal Government to obligate itself for constructive programs of internal developments and improvements. These proposals provide for the expenditure of large sums of money, but make no provision for raising the money except by huge bond issues of the Federal Government. These methods place an additional tax burden upon the tax-paying public at a time when the Congress of the United States is wrestling with the difficult problem of securing sufficient revenue to balance the Budget of the Federal Government.

In the attempt to solve our economic problems, I am convinced, we have reached our conclusions by the application of false premises. We have approached these problems by futile attempts to find employment for the many unemployed. I agree that the depths of the present depression are measured and determined largely by the number of unemployed, but any program to employ the unemployed temporarily will not solve our problems. The unemployed

must have reasonable assurances of permanent employment, and that condition can not be stimulated by artificial means. The roots of all evil in this depression find their nourishment in the heart of the individual citizen of this country. Plant in his heart a new hope, revive his soul with a new faith, and inspire him with a new ambition and a new courage, and he will turn his back on the misery and misfortune of the past, and will go forth in the dawn of a new day with renewed courage and ambition to reconstruct a great nation from the ruins of the old. Confidence is the magic word that will restore this Nation to its permanent economic stability.

During this period of world-wide depression, the Congress of the United States has become an experimental laboratory for economic research. It has developed into a testing station or workshop of applied political science in an effort to discover a panacea for all our national difficulties and to find some method of restoring the social and economic life of the individual citizen. In it we have endeavored to develop new legislative formulas to produce and generate new forces for economic stability; and we have attempted to discover a new political solvent which will dispel doubt and despair, and dissolve the elements of fear; and we have sought feverishly for a new elixir of our national life which will restore confidence in the minds of the people, revive business, and cleanse the clogged channels of commerce and trade.

If we have failed in our legislative tests and experiments, the cause must necessarily be attributed to the methods by which we have attempted to solve our economic problems. We have treated these problems synthetically rather than analytically. We have failed to analyze and dissolve our national problems into the basic elements or constituent parts. We have generalized when we should have specialized. We have thought in terms of masses instead of individuals. We have treated the individual citizen from the standpoint of his relationship to some artificial element in our national life rather than his relationship to his own Government. We have attempted to revive the hopes of the individual by applying restoratives to some one else. The individual has not been the beneficiary of our legislative enactments. Fear still rules his life because confidence in his Government has been destroyed.

The practical operation of the Reconstruction Finance Corporation, which occupies a prominent part in the legislative achievements of this session of Congress, is a concrete illustration of my contention. In the recent report of Gen. Charles G. Dawes, president of the Reconstruction Finance Corporation, issued on April 19, 1932, it is disclosed that \$243,248,769 have been loaned to 1,520 banks and trust companies, of which amount \$5,994,300 was loaned for the purpose of reorganizing closed banks; 20 railroads received \$77,515,549; 98 building and loan associations received \$17,326,748; 28 insurance companies received \$11,950,000; and 1,757 business institutions received \$370,437,802. Much of this money has found its way into the vaults of our large financial institutions and has been used primarily to strengthen the financial position of borrowing companies or their banking institutions. The object of the bill creating the Reconstruction Finance Corporation was to make available emergency financing facilities for financial and business institutions. In turn it was the hope of Congress that these institutions would aid in refinancing agriculture, industry, and commerce. The law contained the necessary and essential elements for restoring hope and confidence; but the individual citizen has not been touched by the provisions of this reconstruction act.

The Glass-Steagall bill is another point in illustration. This law amended and modified the provisions of the Federal reserve bank. Its purpose was to afford means of financial relief to banks. It was confidently expected that the operation of this law would result in easier credit and would meet the urgent demands of commerce and trade. In so far as inspiring confidence in the individual citizen, the enactment of this law has been a failure.

These laws are not without their most disappointing effects. They were enacted primarily for the expansion of

credit. Credit has not expanded; but we discover that the cash reserve in the banks of the country has increased enormously. The recent report of the Treasury Department showed a constant, steady increase of cash reserve. Only a few weeks ago the report disclosed the information that the cash reserve of the banks of the country had increased \$145,000,000 in one week. This situation is susceptible of only one interpretation and that is that the banks of the country are using constructive legislation as convenient vehicles to strengthen their own financial position and standing. In other words, the large financial institutions of the country are hoarding the money and are not using it judiciously for the expansion of credit in the channels of trade and commerce. The vicious method of hoarding money by individuals a few months ago has been transferred to a more deliberate and systematic method of hoarding money by the banks of the country under the protective provisions of the laws of the United States.

In this connection I do not want to be misunderstood. I am convinced that the law creating the Reconstruction Finance Corporation and the Glass-Steagall bill amending the Federal reserve act are necessary and essential elements in the economic recovery of this Nation. I have no apologies for my affirmative vote on these measures. They strengthened the banking system of this country and were instrumental in checking and stopping the destructive epidemic of bank failures. Great good has resulted from these two laws, and they stand ready to render greater aid and assistance in the days to come.

These observations have prompted me to suggest and advocate a threefold plan or proposal which involves (1) the adoption of a more sympathetic policy of the Reconstruction Finance Corporation in liquefying and releasing immediately the frozen assets or deposits of closed banks; (2) the creation and establishment of a Federal system of home-loan banks; and (3) the reorganization of our banking system so as to afford greater security and protection to depositors.

Without cost to the United States Government the first two proposals would release billions of dollars for distribution into every section of the United States. In fact, they would release a greater sum into the sluggish channels of commerce and trade than any other proposal that contemplates the issuance of Government bonds. The third plan would strengthen and broaden the confidence of the ordinary citizens in the banking system of the country, and would act as an absolute prohibition against further hoarding of money by individuals and business interests.

There is much justification for the lack of confidence and faith in our banking system. During the years 1930-31 the confidence of the American people fell to its lowest level when a destructive hysteria of withdrawing and hoarding bank deposits swept relentlessly through the Nation and closed the doors of solvent building and loan associations, trust companies, and banks. No section of the United States was spared from the destructive fury of this hysteria. During this period and the months of January and February, 1932, 4,300 banks closed their doors. From January 1, 1921, to March 1, 1932, 9,842 banks have been closed, which total includes 1,431 national banks, members of the Federal reserve banks by law; 383 State banks, members of the Federal reserve system; and 8,028 State banks, nonmembers of the Federal reserve system. The combined deposits of these banks and financial institutions amount to \$4,563,372,000.

Out of the staggering total of 9,842 closed banks, only 1,133 banks, with deposits totaling \$484,280,000, have been reopened or reorganized, leaving 8,079 in the process of possible liquidation, with frozen deposits and assets of \$4,079,092,000. It has been carefully estimated that the deposits of suspended private banks and building and loan associations would swell the grand total of frozen deposits to more than \$5,000,000,000, vitally affecting the financial status of 10,000,000 depositors. The situation becomes more deplorable when we understand that the average length of time for liquidating a closed bank is eight years, and that the average dividend rate of liquidation, according to the report of the United States Comptroller of Currency for the year

1928, is approximately 80 per cent. Of course, the average dividend rate of liquidation during this period of depression would not be as high as in the year 1928. However, it is estimated that 60 per cent dividend rate of liquidation at the present time would be conservative. Applying the law of averages to the present situation, it is observed that \$3,000,000,000 will be paid eventually to more than 10,000,000 depositors over a period of eight years, and the remainder, amounting to \$2,000,000,000, must be eliminated from consideration as an absolute loss.

For the present, let us forget the loss of \$2,000,000,000 to the depositors of our closed financial institutions, and deal with the \$3,000,000,000 of frozen deposits, which we have a right to believe will be eventually paid to depositors over a period of eight or more years. From a mathematical standpoint this sum of \$3,000,000,000 represents the approximated average 60 per cent dividend to be paid out to depositors of closed banks in the process of liquidation. The proposal suggested herein would place an additional responsibility upon the shoulders of the Congress of the United States to liquefy the frozen deposits in the closed banks of the Nation, and turn them into the channels of trade and commerce. The legislative process would be a simple matter of amending the law creating the Reconstruction Finance Corporation by increasing its capital, if necessary, and by permitting it to advance in cash a large percentage of the estimated liquidation dividend of each State and Federal bank immediately.

For example, suppose a closed bank in a city of 20,000 has a million dollars on deposit, and a careful examination of the resources and liabilities of this bank justifies the probable payment of an 80 per cent dividend. In accordance with the suggestions made herein, the Reconstruction Finance Corporation could advance 60 or 70 per cent of the total amount of deposits for immediate liquidation. This method would immediately distribute between \$500,000 and \$600,000 to this community formerly served by the closed bank.

In this operation the Reconstruction Finance Corporation would be amply protected by the deposits of the bank and forced liquidation could be delayed and postponed indefinitely without sacrificing collateral security and farms and homes. This plan would not contemplate any drastic or harsh means of forced liquidation. The creditors and stockholders of the bank would not be financially embarrassed. The Government could cooperate in a systematic and a sympathetic manner both with the depositors and creditors of the closed bank, and thereby create a spirit of cooperation and optimism and confidence, which are necessary elements in our economic recovery.

Much publicity has been given to the number of State and Federal banks reopened; but very little is said about the plans adopted for reopening them. Recently, the State banking commissioner of Michigan announced the probable reopening of 41 closed banks in that State, with total deposits amounting to \$20,000,000, and that these reopenings had been made possible by the depositors of the banks signing "moratorium" agreements pledging to leave their deposits with the bank, in most cases, for five years. This method is the universal method approved and recommended by the Treasury Department and State banking commissioners throughout the country.

It is estimated that more than \$500,000,000 of savings and capital are "frozen" in this manner. In other words, this large amount is denied participation in the active channels of trade and commerce, and then we wonder why local communities throughout the Nation do not respond to our legislative efforts. It should be the duty of the Congress of the United States to release the money already frozen in reopened and liquidated banks instead of considering huge bond issues for public improvements.

No bond issues can reclaim for the individual citizens what is actually theirs in the closed banks of the country. No bond issue can replace their "frozen" deposits. Our problem is not a problem of creating new money, nor creating cheaper money; but a problem of releasing and liquefying the money we already have. There is still sufficient

money in the United States to restore prosperous conditions, but we still wander in the wilderness of doubt because we have denied to the individual citizens in every section of the United States the privilege even of quenching their economic thirst until the financial reservoirs are restored and running full.

The President's recommendation for the establishment of a home-loan bank is a constructive effort to relieve the conditions of home owners throughout the United States. Legislation of this character would affect more than 10,000,000 investing members who are attempting to pay for their homes through building-and-loan plans. The enactment of this legislation would stabilize home financing and home ownership, and would eventually stimulate home building. In fact, no comprehensive plan for home building and home construction could be contemplated until home financing is assured and home owning is stabilized.

The building and loan associations of the United States meet the needs of industrial communities and they are organized as a part of the financial structure of the United States. Their resources reach a total of more than \$8,000,000,000, of which 80 per cent is invested in mortgages and deeds of trust on homes. The failure of banks has involved the resources and assets of a great number of building-and-loan associations, and the unemployment situation has impaired the financial ability of investors to save and preserve their homes. The Federal Government should come to the rescue and enact such legislation that would permit the refinancing of homes by long-time loans. At present the home owner has no opportunity to refinance. The man with a farm, however, has several agencies established by the Federal Government for refinancing, and the United States Government should make every effort to provide facilities for the individual citizen to own and maintain a home.

I favor the Federal home loan bill now under consideration in the House of Representatives because it will save and preserve the homes throughout the country, bring additional money into depressed communities, assist in the liquidation of closed banks, and provide money for commercial and industrial activities without the cost of a single penny to the Federal Government. It is estimated that the enactment of this bill would release and make available more than \$1,000,000,000 to stricken communities, which would tend immeasurably to restore economic conditions in the United States. The individual citizens would be the direct beneficiaries of the Federal Government, and their confidence in government would be awakened and inspired.

In the consideration of this bill for the relief of the individual home owner, I feel that we should not estimate in any degree the probable losses, if any, to the Government of the United States. This argument has no place in the enactment of such legislation. Suppose the Federal Government lost every penny advanced to its own citizens through its banking facilities, the loss would be about one-twentieth of our recent losses in loans to foreign enterprises and foreign governments. Now is an opportune time for the Federal Government to assist the individual citizen. He is in need. For my part, I would rather trust the home owner and home builder in America without a single penny of security than to trust foreign interests and foreign governments for loans amply secured. I believe that the American citizen is entitled to first consideration from the American Government.

The third plan of my proposed program for reviving the confidence of the people of this country involves some method of giving greater security and more protection to bank depositors. The recent wholesale failure of banks throughout the United States because of lack of confidence has brought our unit system of banking into disrepute. In fact, the word "national" in the corporate name of a Federal bank should mean safety and security; but in view of our recent experience the use of that word is a deception and fraud.

The urgent demands of 10,000,000 depositors of closed banks for some protective policy should not go unheeded by Congress. Already the House of Representatives has passed

the Steagall bill providing for a method of guaranteeing deposits in national banks. This bill was strenuously opposed by those advocating the maintenance and perpetuation of State banks. The depositors, however, are not interested in any controversy between Federal and State law. They have a right to demand some measure of protection and security for their confidence and faith in our financial institutions, and to meet these demands a complete reorganization or rehabilitation of our banking system is absolutely necessary. In no other way can we strengthen and revive the confidence of the people in our financial institutions.

A system of branch banking has been eminently successful in the Dominion of Canada, and the outstanding feature of this banking system is found in the absence of a central banking institution comparable to the Bank of England or to our Federal reserve system. Chartered banks are permitted to establish branches and agencies in any part of Canada and elsewhere. At present there are 11 chartered banks with 4,040 branches, or 1 bank for every 2,450 inhabitants, while in the United States there was 1 bank for every 3,900 inhabitants. The employees and agents of the Canadian banks are experienced and trained men. Banking is a profession. Since 1900, Canada has had only nine bank failures, and none since 1923. In other words, during the last 32 years Canada has had nine bank failures, while the United States has had 9,842 bank failures during the past 11 years. We can now understand the direct cause of the general and universal unrest and dissatisfaction with our present unit system of banking.

High liquidity of cash and credit is the outstanding feature of branch banking. The cash reserve of one or many branches may be transferred to another branch in actual need. As an illustration, a few years ago a branch bank was opened with \$150,000 on deposit, but that branch was able to loan \$600,000 to meet the demands and needs of its particular community. Later this same branch had \$600,000 on deposit with loans of \$150,000 in its community. Funds can be shifted to points of greatest need and the banking risks are distributed over the entire system, and no one branch is subjected to the strain imposed upon individual banks in the United States.

In submitting these facts, concerning the Canadian banking system, it must be understood that I am not advocating at this time a system of branch banking in the United States, but, in a comparative sense, I am pointing out the failure of our own system. In other words, I am not emphasizing the success of the Canadian system, except to draw attention by way of comparison to our own unsuccessful system of unit banking. This comparison places upon the Congress of the United States a responsibility to eliminate, if possible, the conditions which, in no slight measure, were responsible for the bank failures in the United States.

As Congress now faces a heavy agenda of economic problems, it must realize definitely that this Nation can not squander itself into prosperity. The Nation will not recover itself accidentally, neither will prosperity return incidentally. Congress must blaze the pathway; and, in doing so, it can not ignore the fundamental principles of sound national economics. It can not reverse the verdict of history by authorizing the issuance of millions of bonds for public works to relieve unemployment. This verdict is summarized in a report of the National Bureau of Economics, issued June 5, 1930, as follows:

The increase in the volume of public works as a direct solution of the unemployment problem has historically proved a failure. This method has failed to absorb a substantial proportion of the unemployed; it has led to the undertaking of works not really required by the Government and to great waste in the administration of the job.

The President of the United States recently issued a public statement in which he declared his opposition to any public-works program which would necessitate the issuance of Federal bonds. This opposition was based on the contention that a bond issue of this character to support public improvements and development would not be self-liquidating. In other words, a bond issue of this nature would not be in

economic accord with the verdict of history and the tradition of nations. His statement was not the declaration of a new economic polity, but it was simply the pronouncement and reiteration of a traditionally sound, age-old economic doctrine.

The program I have suggested comes easily within the range and purview of the President's recent statement, and the well-defined economic experiences of distribution of financial assistance to every section of the United States, however remote, in amounts exceeding by far the amounts contemplated or proposed for distribution by any public-works program. The distribution of funds would be equitable and not confined to the limited and restricted areas of public improvements and developments, and Congress would not have to attempt the impossible by repealing and reversing the natural law of economics. The beneficent results of the enactment of the proposed legislation would be found in the liquidity of frozen assets and deposits of closed banks; in the prevention of the unnecessary sacrifices of property and other securities by forced liquidation; in the stabilization of home financing and home owning; in the stimulation of home building; and in the complete restoration of public confidence, which is essential to the economic recovery of this great Nation. [Applause.]

Mr. STRONG of Kansas. Mr. Chairman, I yield four minutes to the gentleman from Pennsylvania [Mr. CAMPBELL].

Mr. CAMPBELL of Pennsylvania. Mr. Chairman, I just wish to call the attention of the committee to a few reasons why there is a demand for this bill. The Department of Commerce sent out inquiries to 5,898 financial institutions, propounding the following question:

Would the facilities provided by the proposed home-loan discount banks for borrowing on home mortgages add desirable flexibility and security to the conduct of your institution?

Seventy-six per cent of the replies answered "yes." They included national banks, building and loan associations, mutual savings banks, stock savings banks, State banks, loan and trust companies, and mortgage bankers. That covered the entire country.

The system provides that all members may borrow from a Federal home-loan bank by placing mortgages with the bank for security. To make sure that this would be for the benefit of the small home owner we placed a restriction in the bill limiting the rediscount privileges to mortgages on property where the value did not exceed \$20,000.

Mr. WILLIAMSON. Will the gentleman yield?

Mr. CAMPBELL of Pennsylvania. Yes.

Mr. WILLIAMSON. Are the credit facilities of the home-loan banks available to building and loan associations that do not hold stock in the home-loan banks, or do they have to hold stock in the banks before credit facilities will be available to them?

Mr. CAMPBELL of Pennsylvania. They must hold stock.

Mr. WILLIAMSON. And until they do own stock in a home-loan bank they can not loan money or rediscount paper with the bank?

Mr. CAMPBELL of Pennsylvania. Indirectly, but not directly. There is a proposal, made by the distinguished Senator from Michigan, to allocate \$250,000,000 from the Reconstruction Finance Corporation to take care of the building and loan associations. General Dawes, when he was before our subcommittee, was asked whether or not the Reconstruction Finance Corporation could take care of the situation. He said decidedly not; that all the loans they had made so far to building and loan associations had been paid to the banks on account of the building and loan associations, and that, therefore, up to the present time the building and loan associations were not receiving any benefits from the Reconstruction Finance Corporation.

[Here the gavel fell.]

The CHAIRMAN. The Clerk will read the bill for amendment.

The Clerk read as follows:

Be it enacted, etc., That this act may be cited as the "Federal home loan bank act."

Mr. LaGUARDIA. Mr. Chairman, I move to strike out the last word.

Mr. Chairman, if I may have the attention of the committee, I want to refer to the mechanics of the bill, and I hope in the course of the debate under the 5-minute rule statements will be made by members of the committee so as to make absolutely clear the intent of Congress.

I can speak, of course, only as to conditions in and around New York City. In the nature of things, we have not many small homes in the heart of Manhattan, but in the Boroughs of Bronx and Queens and Kings and Richmond and on Long Island we have thousands and thousands of little homes. They are all encountering difficulties at this time and many of their owners are losing their homes through foreclosures.

As the mortgage becomes due or as a payment becomes due, they are unable to get any extensions of time. They are usually unable, to-day, to obtain a renewal of a mortgage, whether the mortgage is held by a savings bank, by a title company, or by a loan company. So the relief which we need at this time is not so much a new mortgage on a new home, because people are not working really and have not the means to put up a new home, but what we do need is ample provisions for refinancing, or, in other words, facilities to renew existing mortgages.

Where the security is good the loan sharks now are doing this: They refuse to renew, especially when a good part of the mortgage has been paid off and the amount reduced, so that the little home owner is compelled to go to another loan shark, get the money there, pay a bonus of from 20 to 25 per cent, in order to pay off the existing mortgage, and take a new mortgage with the additional amount put on it by reason of this bonus. So that instead of paying the 6 per cent legal rate in my State, the home owner is paying 10 per cent, and sometimes 11 per cent, with, of course, the danger of eventually losing his home.

What I want to bring out is this: If the Federal home-loan bank, when a member comes to it for funds or to rediscount mortgages, will provide the machinery whereby, first, all bonuses will be eliminated, so that we are sure we can protect these people against exorbitant, unfair, illegal bonuses, whether you call them bonuses or commissions or appraisal fees; and, second, that we know who are the members of the home-loan banks, so that when any home owner is put in this position, he may go to one of the members of the home-loan bank and have his mortgage refinanced.

Do you not see that our problems and our difficulties are just a little different from what they would be in a rural district or in a small community? Extortion and exorbitant bonuses are what we are up against.

May I make this suggestion? It was suggested by the gentleman from North Carolina [Mr. HANCOCK] that \$8,000 on a \$20,000 home was the limit. It does not necessarily follow that a man who may own a \$30,000 home in or around a large city is a millionaire, on account of the higher land value. If that amount could be brought up to \$30,000 instead of \$20,000, and reasonable assurance given that there will be this opportunity of refinancing these mortgages on these small homes, which are the best securities in the land, and avoid exorbitant bonuses or commissions or other charges, I think the bill would be very much improved.

[Here the gavel fell.]

Mr. LaGUARDIA. Mr. Chairman, I ask unanimous consent to proceed for five minutes more.

The CHAIRMAN. Is there objection?

There was no objection.

Mr. MAY. Will the gentleman yield?

Mr. LaGUARDIA. Yes.

Mr. MAY. I would like to ask the gentleman from New York if it is not the fact that some of these loan sharks, whom he has mentioned, sometimes wait until a mortgage debtor has paid on his home until it is a fine bargain, and then get hold of it and resell the home and keep the profits on the sale.

Mr. LaGUARDIA. If the mortgage is down to the point described by the gentleman, then they force a foreclosure, and the family lose their home. If it is not, then they refuse to renew the loan and force him into the hands of another loan shark, who will refinance it and who, in turn, will get one of the other shark's victims.

With the permission of the committee, Mr. Chairman, I want to put in the Record at this point a typical letter received from the owner of a little home in my city where the mortgage was held by the Prudence Loan Co. or the Prudence Bond Co., which, I am informed, has received loans from the Reconstruction Finance Corporation, and the same official of the Prudence Bond Co. is the man who was in the bear pool which was exposed by the Senate committee. I submit when we are pouring money into an organization of that kind we are not doing any good, and it is just these abuses which I am seeking to avoid, and I hope before we go much farther the gentleman from Wisconsin [Mr. REILLY] will point out the mechanics whereby these home owners may be protected.

Mr. GREEN. Will the gentleman yield?

Mr. LaGUARDIA. Yes.

Mr. GREEN. I am wondering if the gentleman from New York believes the ones he has mentioned will really be permitted to borrow under the terms of this bill.

Mr. LaGUARDIA. No; but I am hopeful that there will be others who may qualify, so that these people may escape being victimized by the people who own their mortgages.

Mr. GREEN. I was just afraid that it would be a matter of the loan associations themselves soaking their securities and the individual never getting any benefit from the measure.

Mr. LaGUARDIA. That is what we want to avoid.

Mr. REILLY. Mr. Chairman, in answer to the gentleman from New York, I may say that the home-loan board under this bill has authority to decide what institutions shall be eligible for membership.

Let me read:

No institution shall be eligible to become a member of, or a nonmember borrower of, a Federal home-loan bank if, in the judgment of the board, its financial condition is such that advances may not safely be made to such institution or the character of its management or its home-financing policy is inconsistent with sound and economical home financing, or with the purposes of this act.

This bill deals with existing institutions. If the resident in the district the gentleman speaks of happens to be a member of an organization eligible for membership in the mortgage bank, it is possible for the bank to get the money from this bank to enable them to extend the mortgage or rewrite it or extend the time of payment, and to forbear the collection.

Mr. LaGUARDIA. In other words, it will not be possible for them to promulgate regulations preventing a bonus being exacted and provide the means for a complaint to be filed with the home-loan bank.

Mr. REILLY. If there was any bonus exacted in such organization, they would not be permitted to become members.

Mr. LaGUARDIA. But suppose it was exacted after they became a member?

Mr. REILLY. Then they would refuse to extend any other loan.

Mr. GREEN. Will the gentleman yield?

Mr. LaGUARDIA. Yes.

Mr. GREEN. Would it not be well to put an amendment in the bill forbidding that practice?

The CHAIRMAN. The time of the gentleman from New York has expired.

Mr. LaGUARDIA. Mr. Chairman, I ask unanimous consent to revise my remarks and insert a letter therein.

There was no objection.

The letter referred to is as follows:

NEW YORK, April 5, 1932.

HON. FIORELLO LaGUARDIA,

The Potomac Park, Washington, D. C.

DEAR CONGRESSMAN: The New York Tribune this morning on the front page indicates a loan has been made by the Reconstruc-

tion Finance Corporation to Prudence Co. (Inc.) of New York. I know there is no limit to the gall of men like Frank Bailey, Bill Greve, and Arthur Waterman, but isn't there some way you and your fearless coterie in the House can stop the raids of these crooks on Government money? I had a mortgage from one of this crowd's affiliated companies on a little house in Brooklyn. My equity represented the savings of eight years. When I lost my job two years ago as an accountant, they foreclosed, sold me out—and the loan had cost me 27 per cent when I had finished with bonuses, title fees, and attorneys' fees, and I was forced in 1929 to buy 10 shares of New York Investors, the parent company of them all. I paid \$46 a share. They took it as collateral for my bond and I can't find out from them whether I own it or not, although the house brought more than the face value of the mortgage. It's only worth 1½ now, anyway.

My wife, two children, and I are living in a cold-water flat in Brooklyn. I have worked for the past 15 months as an elevator operator in a 30-year-old building, downtown New York. I started at \$27 per week, and they have reduced us to \$21.60. My wife and I are glad I've got the job, although it's tough sledding when the children's teeth need fixing or a doctor's bill comes around.

I think I have never envied anyone anything they owned. I have worked harder and longer hours than many. In eight years I saved a little less than \$6,000 by stinting on many things, in order to have a nice small home for my boy and young daughter. To protect that money and to hold to that idea, I had to get \$3,500 in a renewal loan; about two years ago I went with a letter of introduction to Mr. Frank Fox, president of the Realty Associates, and he refused to renew. I needed \$3,500 and could get it nowhere, from no bank, from no mortgage company, and, of course, from no Government agency. But some time before last Saturday, April 2, 1932, Mr. Fox and Mr. Bailey and Mr. Greve needed \$1,500,000, not to protect their equity but "to increase its facilities for supplying funds to its clients in need of refinancing conservative mortgages, as well as to preserve the high public regard for the safety of guaranteed first-mortgage investments."

I couldn't get \$3,500 to save my house, but Bailey and Greve and Fox and Waterman can get four hundred and twenty-eight times that much to hold their high-paying jobs and swing along until after the depression is over and then wade in for the kill.

Bailey and Greve and Fox in the rôle of protectors of investors! The only mortgages they haven't foreclosed in the past few years have been ones which they would take a tremendous loss on because of their forced overappraisals in good times.

Did Congress pass this Reconstruction Finance legislation to help these notoriously unfair mortgage outfits? Can't something be done to prevent these men from making a laughingstock of the American people collectively as they have individually? Or must we be saps always—saps or helpless.

Yours,

Working for a realty corporation, it wouldn't be safe for me if you disclose my name.

Mr. LaGUARDIA. This letter is typical of many I and other Members have received. In many cases, I fear, loan sharks are benefiting from Government loans while the people Congress sought to help are being exploited. I may say that the Greve mentioned in the letter is William M. Greve, who, it was revealed, is a notorious stock gambler exposed by the Senate committee to have been part of a vicious bear pool. The same company I have absolute proof are bonus hogs—exacting exorbitant bonuses on mortgages. Imagine this type of men getting loans from the Reconstruction Finance Corporation.

Mr. REILLY. Mr. Chairman, I rise in opposition to the amendment. I will say to the gentleman from Florida that there are two bills pending in the House to accomplish the purpose that he has spoken of—that is, for the Government to loan directly to the home owners. We considered those bills, and did not believe they came within the recommendations of the President or the bill we had under consideration. It is absolutely impossible for the Government of the United States to go out and negotiate mortgages in the manner the gentleman mentions. The bill does provide that existing home-mortgage institutions may become members and thereby be made able to function more efficiently.

Mr. Green. Does the gentleman think that these home-loan banks will aid in placing money in circulation, or will they save their own scalps rather than to put the money into circulation?

Mr. REILLY. I am of the opinion that the Federal home banks will inquire thoroughly as to how the members are going to use the money after they get it.

Mr. ESLICK. Will the gentleman yield?

Mr. REILLY. Yes.

Mr. ESLICK. Who fixes the rate of interest to the borrower?

Mr. REILLY. The banks. They are authorized to charge the members for advances, a marginal interest increase, over the rate paid on their bonds as will enable the banks to function.

Mr. ESLICK. Is there any limitation on fixing what the margin shall be?

Mr. REILLY. It is a reasonable margin, permitting the banks to function.

Mr. ESLICK. The reason I ask is because the Federal land banks and joint-stock land banks are charging 8 per cent on deferred payments, and I think there should be a limitation in this bill.

Mr. REILLY. I take it that when a member comes to a Federal bank to make a loan, all these things will be inquired into; and if they are exercising an unjust demand for money on their local people, they will not get any money.

Mr. SABATH. Is it not a fact that the individual can be aided and assisted in this way? He can join or become a member of a building and loan association, and through that building and loan association he can secure the assistance and the loan that he needs.

Mr. REILLY. Yes.

Mr. GREEN. For instance, take this Wardman Park Association. I understand the Shoreham Hotel is going into the hands of receivers, from newspaper talk, or already has, because the mortgages have not been paid. What is to hinder this kind of association from obtaining this money and saving their own scalps and your people who want to get loans not being able to get them? I am wondering if the small people can get loans. If so, I want to support the bill. Or is this merely another scheme to save the hides of such people as I have referred to?

Mr. SABATH. The men the gentleman speaks of can not be helped under this bill. This applies to home owners, and no building that has more than two flats can be a beneficiary or secure any assistance.

Mr. STEVENSON. No property worth \$20,000 or more is eligible to have a loan placed upon it.

Mr. GREEN. I believe that answers the question.

Mr. STEVENSON. A hotel could not quite come in.

The CHAIRMAN. The time of the gentleman from Wisconsin has expired.

Mr. STAFFORD. Mr. Chairman, I ask unanimous consent that the time of the gentleman from Wisconsin be extended for five minutes.

The CHAIRMAN. Is there objection?

There was no objection.

Mr. GILBERT. Mr. Chairman, will the gentleman yield?

Mr. REILLY. Yes.

Mr. GILBERT. I merely want to say to the committee about the Federal land banks charging 8 per cent on unpaid installments that the responsibility for that ought to be put where it belongs. It is not in the administration, but it is in the law. The Federal farm land bank act requires 8 per cent interest to be charged on unpaid installments. The trouble is right here in this House. Everybody can come here and get more interest on extended capital except farmers. When farmers borrow money, or are behind in their money, they are charged 8 per cent, and nobody else is confronted with that exorbitant rate, and that is done by act of Congress itself.

Mr. WOLVERTON. Mr. Chairman, will the gentleman yield?

Mr. REILLY. Yes.

Mr. WOLVERTON. I strongly favor the adoption of legislation of the character sought by this bill, the purpose of which is to provide a means of giving financial assistance to the home owner who is in distress through inability to refinance his mortgage loans in times such as these and who by reason thereof faces foreclosure and eviction. Will the gentleman, however, inform me why national banks have been precluded from becoming members of the home-loan banks as appears to be the case by the provisions of section 4 of the bill?

Mr. REILLY. We will come to that question farther on in the bill.

Mr. ARNOLD. Mr. Chairman, will the gentleman yield?

Mr. REILLY. Yes.

Mr. ARNOLD. Are there any safeguards in the bill as to expenditures in the way of buildings and salaries paid to employees?

Mr. REILLY. We prohibit any building.

Mr. ARNOLD. Is there any prohibition as to excessive salaries paid to employees of the home-loan banks?

Mr. REILLY. We provide that the salaries of members of the board shall be \$10,000, and that no other officer shall draw any salary in excess of that, and further, that the local land banks shall pay a reasonable compensation to their officials for the amount of time they devote to the services of the bank. The idea is that the officers of a Federal home-loan bank will not be expected to devote all of their time to the business of the bank, except probably one man. I might say that the New York land bank built on the lines of this bill for the State of New York, handling something like \$20,000,000 a year costs only about \$20,000 per year for operating expenses.

Mr. GREEN. Did the gentleman's committee consider the advisability of using the existing machinery of the Federal land bank and enlarging the law to where they could use these additional funds and lend them directly to a man who needs money to redeem a mortgage against his home that he is living in?

Mr. REILLY. That plan is not in line with the theory and principles of this bill.

Mr. EATON of Colorado. Mr. Chairman, will the gentleman yield?

Mr. REILLY. Yes.

Mr. EATON of Colorado. Where is there in the bill anything that supports the statement that there may be no bonuses or commissions charged on these renewal loans?

Mr. REILLY. I made that statement upon the fact that the board will investigate as to the method and practice of the institution that wants to become a member bank.

Mr. EATON of Colorado. Where is there anything that says the board shall refuse to discount paper of a bank that charges a membership fee or whatever it may be called?

Mr. REILLY. Under the provisions of this bill the board has the right to examine all applicants for membership and decide finally whether they will be admitted. The fact that we name certain institutions to-day as eligible, does not necessarily obligate the board to admit them if their practices are not consistent with the principles of the bill.

Mr. EATON of Colorado. Then there is no requirement in the bill that no institution which charges a bonus or anything that is like a bonus, direct or indirect, shall be benefited by the bill.

Mr. REILLY. There is nothing except the board has the power to pass on the fitness of an applicant to become a member of one of these banks.

Mr. HARLAN. Mr. Chairman, I was very much interested in the statement made by the gentleman from Missouri, who opposes this relief, that this is not of national interest. I am just wondering how much of the legislation of this nature that we have passed, is really of national interest. Is flood relief of national interest? Is farm relief of national interest? Is almost anything that we have passed here of national interest, except in so far as the prosperity and solvency of any section of our country is of very vital interest to the prosperity and solvency of the rest of our country?

There are 40 States in which building associations exist. Practically half of the building associations exist in three of those 40 States. In those three States the building association is the vital financial institution, in many respects more important than the banks. In some of those cities the entire savings, the reserve purchasing power of the people, is deposited in building associations. To enable the Federal Government by this bill to step in and allow those associations to pay off some of their deposits, certainly can not help but bring relief to that community and start a little wave of normal living, if not prosperity, which will work to the prosperity and betterment of this entire country.

Next Monday we will have before us the question of paying the balance of the bonus to the soldiers. It happens

that the last payment that was made came just before the debacle, just before the time that many building associations closed. Many of those veterans took the payments they received from the Government, for which they were paying comparatively small interest, and deposited them in building associations throughout the country. In many cases the very next day after the deposit was made the associations went on notice, and hundreds and thousands of those veterans have received no benefit at all from the help that the Federal Government attempted to give them.

Now, there is just one feature of this bill that has been questionable to me. That is the provision on page 4 allowing banks, trust companies, State banks, or other banking institutions to have access to this fund. I am just wondering what definition would be applied to "other banking institutions." Many of the brokerage houses do a banking business and are not under much supervision. I am wondering if the institution referred to by the gentleman from New York [Mr. LA GUARDIA] could be referred to as "a banking institution."

At this time I can not see the advisability of allowing State banks, which have relief in other channels, to come to this fund. I am fearful that if they have access to this fund they will use the fund to the exclusion of many associations. I should very much dislike to see that, and I trust that matter is cleared up before the discussion is over.

Mr. LUCE. Will the gentleman yield?

Mr. HARLAN. I yield.

Mr. LUCE. To buttress what the gentleman said about this being a matter of national concern, I would like to inform the committee that there are 12,351,000 members of building and loan associations in this country; that there are 17,638,000 who have deposited in other banking institutions, as evidenced by past loans, making a total of almost 30,000,000. Furthermore, that this bill includes life insurance companies who have outstanding almost exactly one policy for every inhabitant of the country, 120,000,000 in number.

With reference to the other matter to which the gentleman referred, we will take that up when we reach the section.

The CHAIRMAN. The time of the gentleman from Ohio has expired.

Mr. STEVENSON. Mr. Chairman, this is only the preliminary section. If we expect to get through with this, we will have to get on. There will be plenty of time to speak on other sections. Therefore I move that all debate on this section do now close.

The motion was agreed to.

The Clerk read as follows:

DEFINITIONS

SEC. 2. As used in this act—

(1) The term "board" means the Federal Home Loan Bank Board.

(2) The term "Federal home-loan bank" means a bank established by the board under authority of this act.

(3) The term "State" includes the District of Columbia and the Territories of Alaska and Hawaii.

(4) The term "member" (except when used in reference to a member of the board) means any institution which has subscribed for the stock of a Federal home-loan bank.

(5) The term "home mortgage loan" means a loan made by member or a nonmember borrower upon the security of a home mortgage.

(6) The term "home mortgage" means a first mortgage upon real estate, in fee simple, or leasehold under a renewable lease for not less than 99 years, upon which there is located a dwelling for not more than two families, and shall include, in addition to first mortgages, such classes of first liens as are commonly given to secure advances on real estate by institutions authorized under this act to become members, under the laws of the State in which the real estate is located, together with the credit instruments, if any, secured thereby.

(7) The term "unpaid principal," when used in respect of a loan secured by a home mortgage means the principal thereof less the sum of (1) payments made on such principal, and (2) in cases where shares or stock are pledged as security for the loan, the payments made on such shares or stock plus earnings or dividends apportioned or credited thereon.

(8) An "amortized" or "installment" home mortgage loan shall, for the purposes of this act, be a home mortgage loan to be repaid or liquidated in not less than eight years by means of regular weekly, monthly, or quarterly payments made directly in

reduction of the debt or upon stock or shares pledged as collateral for the repayment of such loan.

(9) The term "nonmember borrower" includes an institution authorized to secure advances from a Federal home-loan bank under the provisions of section 5 (e).

Mr. STEVENSON. Mr. Chairman, I offer an amendment which is at the Clerk's desk.

The Clerk read as follows:

Amendment by Mr. STEVENSON: Page 2, section 2, line 2, strike out the words "and the Territories of Alaska and Hawaii."

Mr. CLANCY. Mr. Chairman, I move to strike out the last word.

Mr. Chairman, I dislike very much to take any of the time of the committee, and I certainly do not desire to be dilatory, but this is one bill in which my community has been very much interested, and I strongly urge its passage.

We have sent down here some of our most prominent Detroiters to House and Senate committees to push this bill. Our public-spirited Detroiters, Robert Oakman, has paid for full-page ads in newspapers advocating this kind of relief. Mr. Oakman has made many trips to Washington to urge this legislation and has appeared before committees.

My community is one which has been hit harder by crushing taxes in recent legislation, such as the billion dollar tax bill and the \$2,000,000,000 Garner relief bill, than any other community in the United States. We asked for bread and you gave us stones by singling out our industries for sales taxes. I received a few days ago a letter not from one of my great manufacturers who lead the world in their line, such as autos, drugs, rubber, and so forth, but from a small manufacturer, and he said the tax on cosmetics had sent him to the wall; that he would have to lay off his employees; he was losing his factory and was losing his home. He could not pass on the sales tax, and it was the final straw which broke the camel's back.

Now, we look to this bill for relief in two particulars, as well as in others. We hope that the bill really does give relief, and members of the committee assure me that it does, with regard to delinquent taxes. I speak for the fourth largest city in the United States, a city which but a few years ago was the richest city in the world, per capita; which had the highest standard of wages in the world and the highest standard of living. Now it is a city through which gaunt famine travels, and we have more rioting, more bloodshed, more reds working actively than any other city in the United States, and we fear the next few months and possibly the coming winter.

Panic, famine, and unemployment have been as cruel to my city as the raiding Indians and British during the early American wars.

Now, if this bill will aid our delinquent taxpayers to borrow through banks, loan, and building groups for the purpose of paying back taxes, we can distribute welfare to the hungry, and we can relieve the pinch which is upon the city. Also, we can put back to work our city firemen and policemen and thousands of city employees who have been laid off and who are necessary for the security of life and property, and we can pay our school-teachers and other city servants.

Moreover, we relieve the home owner from the menace of losing his home. Our city is overbuilt just now. We do not particularly want to build any new homes out of this bill, although some few builders do. In Detroit we have now 6,000 empty homes and about 24,000 empty units in apartments, or about 30,000 living units that are vacant. However, we have many more homes which are old and which do need repair and reconstruction, and I am assured by the committee that the owners of these homes can borrow money through this bill. They can thus employ bricklayers, carpenters, paper hangers, plumbers, tanners, and other artisans and put to work a great many people along those lines.

Moreover, they can buy much materials of all sorts. I certainly hope the bill passes.

It is not a perfect bill and some of our Detroit experts in the home-building and home-financing line, such as

Robert Oakman, hoped for a more generous bill; but if we can not get a whole loaf we must take half a loaf because our need presses sorely upon us.

President Hoover gave great encouragement to city people when he made a speech some time ago that the Federal Government should do something to help the city working man to build a home or to save the home which he owns or which he is buying on installments. For a number of years we have been passing through Congress important bills laying aside tremendous amounts of money for loans to save the farmer from losing his farm or his home, but the city man has been the forgotten man.

One will note editorials in city papers complaining bitterly of the fact that Congress is so often deaf to the pleadings of city people in distress.

The latest census, that of 1930, shows that more than half the population of the United States is in the cities and this goes for cities over 2,500 in population. Everybody knows there has been a steady drift from the farms and mines and forests and mountains to the cities. The farm population of the country to-day is probably in the neighborhood of 30 per cent of the total population, yet the farmers, because of our peculiar Constitution, which gives overrepresentation in the Senate to vast areas which are thinly populated but which are yet known as States, are entitled as such to two Senate votes or two Senators.

I pointed out in the recent reapportionment struggle in the House Census Committee, of which I was a member, and also on the floor of the House that there are 17 States which have not the population of New York State and yet they have 34 votes in the United States Senate of 96, whereas the people living in New York State only have 2 votes in the United States Senate.

I have also pointed out in many statements and speeches that in the next Congress the city dweller will have increased representation in the House. The city dwellers gain about 30 Congressmen and the rural districts, which have been losing population, give up about 30 Members.

For instance, in my city of Detroit it means practically a gain of four Congressmen, which are yielded up by rural districts. This makes a difference of eight votes alone on legislation in the House. Detroit was cheated out of its reapportionment for about 11 years because the rural groups in the House and Senate refused to obey the mandate in the Constitution, as set forth in the first article and in the fourteenth amendment, to have a congressional reapportionment every 10 years, according to the shifting of population in the country.

My colleague from Detroit [Mr. McLeod] and myself both gained seats on the strategic House Census Committee and fought out this battle for several years. Finally our efforts were crowned with victory.

Every member on that committee knows that it was Detroit which forced through the recent reapportionment bill which means great changes, not only in the political set-up of the House but also in its attitude toward social, economic, and industrial bills and problems.

The effect on prohibition laws and appropriations also will be powerful.

Congress has passed, largely at the insistence of President Hoover and the administration, a number of reconstruction bills which should aid materially in working out the salvation of the country in the near future. They aim to save our banks from collapse and many of our great industrial corporations, especially the railroads, from going into bankruptcy. In this respect they are tremendously beneficial to all classes, including the workingman.

Many measures are designed primarily to help the farmer. There is no intention to minimize these other relief and reconstruction measures, but in Detroit we are very sweet on this home loan bank bill. We are strong for it, and we think it would be a calamity if the bill should be killed either in the House or the Senate.

I am confident we are going to pass this bill through the House by a good majority, and we hope the Senate will then do its part and pass the bill before Congress adjourns.

Mr. HOUSTON of Hawaii. I rise in opposition to the amendment.

Mr. Chairman, I want to take this opportunity of opposing the amendment offered by the gentleman from South Carolina [Mr. STEVENSON] and to invite the attention of the committee to the fact that only the other day we passed a revenue bill carrying tax burdens as heavy as we have ever imposed in this country. On the last page, page 132, amongst definitions is to be found this paragraph:

The term "United States" when used in a geographical sense includes the States, the Territories of Alaska and Hawaii, and the District of Columbia.

In other words, you have put a burden upon the Territories equal to that which is to be carried by any of the States. Why then should we not share in the benefits? Otherwise you would be proposing taxation without representation and without participating in benefits.

Now, then, if there is any merit in this matter of home ownership, if there is any Americanization carried by this advocacy of home ownership instead of leasing, if, as was said by the principal proponent of this measure, that it is one of the most important institutions that have been proposed by this Government for the encouragement of its citizenry, then this bill should, as was provided by the committee, be applied to the Territories wherein the funds from which the moneys that are to be used in establishing this bank are in part obtained.

The vast majority of the committee, after having heard me in advocacy of the application of this measure to Hawaii, wrote the bill so as to take care of Alaska and Hawaii. I would ask, therefore, that the Committee of the Whole consider that this should be ample guaranty that the bill as reported is the well-reasoned expression of the committee's opinion.

The gentleman from South Carolina, I think, made a mistake when he said that there were only two savings and loan institutions in Hawaii. As a matter of fact there are 10 such distinct institutions with about 14,000 shareholders. In proportion to the population there are about two times as many institutions of that character in the Territory as there are in the balance of the United States. In proportion to the land area there are many times the number of such institutions in Hawaii as there are in the balance of the United States, and in proportion to the loans that have been issued there are fewer such institutions. So, it may be seen they will be more economically administered.

For these reasons, Mr. Chairman, I would ask that the proposed amendment be disregarded and that the committee action be sustained. [Applause.]

Mr. GIBSON. Will the gentleman yield?

Mr. HOUSTON of Hawaii. I yield.

Mr. GIBSON. The gentleman has referred to taxes imposed upon the Territory of Hawaii by the revenue tax bill. Can the gentleman tell us with regard to income taxes what the people of Hawaii pay as compared with the people of the States?

Mr. HOUSTON of Hawaii. As to the last year the best information I have is that Hawaii paid into the Federal Treasury more than each of 13 individual States.

[Here the gavel fell.]

Mr. STEVENSON. Mr. Chairman—

Mr. GREEN. Will the gentleman yield?

Mr. STEVENSON. I yield.

Mr. GREEN. I notice under the provisions of this bill a number of States can not get any of its benefits. Among them is my State. Why should the committee bring in a bill that shows partiality, which gives advantages to people of a few States of the Union when my people, who can not receive its advantages, help to pay the taxes that create the fund from which this \$125,000,000 is taken?

Mr. STEVENSON. Mr. Chairman, I did not yield for the gentleman to make a speech or for a statement of a misconception of the terms of the bill. His State can come in under section 5, subsection (e), of the bill.

We are now dealing with the question of whether we are going to stay at home with this institution or go abroad

with it, and considering the fact that we are proposing to establish a new venture, it strikes me it is very unwise to go beyond continental United States.

Mr. Chairman, the gentleman from Hawaii has made a very clear statement of his position. However, the gentleman simply makes one mistake. He said this provision was overwhelmingly adopted by the committee. It was by no means overwhelmingly adopted. There was a very close vote in the committee as to whether Hawaii would stay in or go out. But that does not concern us. The question is whether it would be judicious to include in this bill Hawaii and Alaska. If that should be done, the next move will be a clamor to include Puerto Rico and the Virgin Islands. They kept up that clamor on the eastern coast. Remember that when the Federal land banks were established we did not put Hawaii in, but they got after us in Puerto Rico and we finally yielded. The result has been that we have lost everything we have loaned down there.

We are providing for a home-loan establishment here which will deal with our people who are accessible to the investigating officers, who are within call of the different banks, who are homogeneous, and whose business habits and whose title conditions we understand. Until we establish this and see how it works, it strikes me we ought to exclude all the excrescences. If we find we have made a mistake, there will be no trouble in afterwards restoring them.

Mr. MOUSER. Will the gentleman yield?

Mr. STEVENSON. Yes.

Mr. MOUSER. Is there not a difference between Puerto Rico and Hawaii in that tax measures apply to Hawaii and they do not apply to Puerto Rico? If we are going to tax Hawaii, why should they not get the benefits of this bill?

Mr. STEVENSON. We are not taxing Hawaii for this bill. We are getting the money otherwise. It is not a question of taxation, but it is a question of the conditions under which we are going to do business. The island of Puerto Rico is much nearer to us than the islands of Hawaii; and if we do not put in one, I do not think there is any reason why we should put in the other. But our experience in Puerto Rico has been such that I do not think it is judicious for us to include Hawaii.

Mr. COCHRAN of Missouri. Mr. Chairman, I rise in opposition to the amendment. I regret exceedingly to find myself in disagreement with some members of the Banking and Currency Committee who are opposed to this bill, as I know that for months they have been studying this legislation night and day, and they are as anxious as I am to help the home owner; but their study forced them to reach a different conclusion. I respect their opinion, but on this occasion we disagree.

The situation in Missouri, as I understand it, is that some question the right of building-and-loan associations of the State to participate. I know nothing whatsoever in reference to the laws of the State of Missouri in so far as what the building-and-loan associations or other corporations can do in the way of borrowing; but I was in communication with a large number of associations in my State, and those people have assured me that if this bill becomes a law, Missouri can participate. For that reason I propose to vote for this bill.

Now, gentlemen, I received many pathetic communications from St. Louis right after the President called upon the people of this country to stop hoarding money. The communications which I received indicated that the banks of my city had absolutely refused to accept as collateral first-class deeds of trust upon residence property in my city. They did not want to handle assets. The result has been foreclosure. It showed the banks were not very liberal.

We have over 100,000 people out of employment in St. Louis, and they have been losing their homes because they could not renew first deeds of trust upon their property. I am told that if this bill is passed there will be an opportunity for those people to have their loans renewed and their property saved, through building-and-loan associations banks, or insurance companies who may enjoy the benefits of this law, and who then can serve the home owners.

It seems to me that when the Congress of the United States has provided for the great corporations, through the Reconstruction Finance Corporation, that the Congress of the United States should provide some relief for the small-home owners. The Congress of the United States has attempted to provide relief for the farmer; and if the farmer has not secured relief, I think the representatives of the farmer who have failed to bring in proper legislation should advance it now. I want to say that the only class of people who have not been recognized by this Government in any manner, shape, or form is the home owner, and I want to see this Congress enact some kind of legislation that will save the homes of the people of my city. The appeals I receive from people losing their homes are pathetic.

Mr. WILLIAMS of Missouri. Will the gentleman yield?

Mr. COCHRAN of Missouri. With pleasure.

Mr. WILLIAMS of Missouri. The gentleman knows, does he not, that the Reconstruction Finance Corporation act provides for loans to building-and-loan associations just as this bill does?

Mr. COCHRAN of Missouri. I know that the Reconstruction Finance Corporation act so provides, but I know that the people of St. Louis have lost their property through foreclosure because they could not renew their loans.

Mr. WILLIAMS of Missouri. Why can they not apply to the Reconstruction Finance Corporation as well as to this institution to get loans?

Mr. COCHRAN of Missouri. The Reconstruction Finance Corporation is being run, I understand, in such a way that the home owner has not been able to be taken care of. I do not know why, but nevertheless that is the fact. Probably those who can borrow do not care to apply. I can offer no other explanation.

[Here the gavel fell.]

Mr. COCHRAN of Missouri. Mr. Chairman, I ask unanimous consent to proceed for three additional minutes.

The CHAIRMAN. Is there objection?

Mr. MOUSER. Mr. Chairman, reserving the right to object, I think the gentleman ought to confine himself to the amendment in order that the membership may not lose track of what is before us. This is an important question. The gentleman from South Carolina moves that we amend this act by striking out Hawaii and Alaska, and the membership may forget what is under consideration.

Mr. COCHRAN of Missouri. I do not want to be lectured. Does the gentleman want me to speak or not?

Mr. MOUSER. I hope the gentleman will discuss the amendment.

Mr. COCHRAN of Missouri. If the gentleman wants to object, let him object.

The CHAIRMAN. Is there objection?

There was no objection.

Mr. COCHRAN of Missouri. The people of Hawaii are entitled to the same consideration as anyone else, but what I am talking about now is my own city. I do know that the Reconstruction Finance Corporation act has not helped home owners in my city, who are losing their homes. I want to save them. I am in hopes this bill will save their homes.

Mr. MOUSER. Mr. Chairman, I make the point of order that the gentleman is not confining his remarks to the amendment now pending.

Mr. HOPKINS. Will the gentleman yield?

Mr. COCHRAN of Missouri. I yield.

Mr. HOPKINS. The gentleman has been making a very interesting statement and I am pleased that he is in favor of the bill. The gentleman mentioned the fact that the people of Missouri and the building-and-loan associations of that State want this bill and need the benefits of the bill. I have here a letter from the president of the league which states that the attorney general of the State of Missouri has ruled that Missouri can participate under the terms of this bill.

Mr. COCHRAN of Missouri. That is one thing that I thought warranted me in reaching my decision. I received

the same letter about two weeks ago, but I must say the opinion of those engaged in the business is not unanimous. Some think they can participate, while others insist they can not.

Mr. WILLIAMS of Missouri. Will the gentleman yield?

Mr. COCHRAN of Missouri. Yes.

Mr. WILLIAMS of Missouri. Is not the gentleman aware of the fact that the opinion of the attorney general of Missouri is in direct conflict with decisions of the courts of our State?

Mr. COCHRAN of Missouri. I respect my colleague's opinion and accept the information as being correct, but I do not know anything about such decisions of the supreme court. I know that the Legislature of Missouri meets in January, and if this bill is passed and we can not participate under such a law, we will participate after January, because the present law of Missouri will be changed. I know the Legislature of Missouri will not dare deny the people of that State the right to participate in the benefits of this bill.

Mr. McCORMACK. Will the gentleman yield?

Mr. COCHRAN of Missouri. I yield.

Mr. McCORMACK. Assuming the law of Missouri will not permit its associations to participate, my friend, I am sure, has no objection to the rest of the country benefiting from this law.

Mr. COCHRAN of Missouri. Absolutely not. I want the home owners all over the country to benefit, and also in Hawaii, I will say to the gentleman from Ohio [Mr. Mouser], and I guarantee we will participate in Missouri after the legislature meets in January, if we can not participate at the time the bill becomes a law. [Applause.]

Mr. REILLY. Mr. Chairman, I move that all debate on this amendment close in five minutes.

The motion was agreed to.

Mr. HOOPER and Mr. WICKERSHAM rose.

Mr. HOOPER. Mr. Chairman, I shall not take any time from the gentleman from Alaska, except to say that I am one of those who believed that the Island of Hawaii should be included in this bill.

Mr. LUCE. Will the gentleman yield to me long enough to say that I also thought so.

Mr. HOOPER. It is an integral part of the United States. It is a loyal and a patriotic part of the United States. I do not believe it would be a good thing for us at this time to shut off the Territory of Hawaii from the provisions of this bill. [Applause.]

Mr. WICKERSHAM. Mr. Chairman, Alaska is the one commonwealth under the American flag that has no debt. We have had no failures of banks in Alaska. We are in the best financial condition of any part of the United States. We want, however, to continue to develop and build up that Territory.

I have listened to the speeches in favor of this bill to-day in the hope it would pass and that we in Alaska could get the benefit of it. I hope you will not strike out these Territories, but will let us have an opportunity to build them up and make them what they are now—great assets of the United States.

I hope the amendment will not prevail. [Applause.]

The CHAIRMAN. The question is on the amendment offered by the gentleman from South Carolina [Mr. STEVENSON].

The amendment was rejected.

Mr. McFADDEN. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. McFADDEN: On page 2, line 2, after the word "Columbia," add a comma and the words "Puerto Rico."

Mr. McFADDEN. Mr. Chairman, I see no reason why Puerto Rico should be kept from the benefits of this bill, if there are any. There are institutions in Puerto Rico that can come in under the terms of this bill, and Puerto Rico is as much troubled over the problem intended to be solved by this bill as any State in the United States.

Furthermore, Puerto Rico is one of the best sources of trade with the United States that there is in the Atlantic.

I think it would be a particular hardship on Puerto Rico, and would be a discrimination against it, to keep it from receiving the benefits of this particular legislation, if it is enacted into law. Therefore I hope the amendment will be favorably considered by the committee.

Mr. STAFFORD. I believe the gentleman is against the bill and wants to burden it down as much as possible.

Mr. McFADDEN. Yes; I am against this kind of legislation, but I am not attempting to burden it. I am proposing to take out of it this discrimination against Puerto Rico.

Mr. PESQUERA. Mr. Chairman, the organic act of Puerto Rico, in section 9, says:

The statutory laws of the United States not locally inapplicable, except as hereinbefore or hereinafter otherwise provided, shall have the same force and effect in Puerto Rico as in the United States.

The organic act of Puerto Rico was approved by the Congress of the United States in 1917, and by it American citizenship was granted to the 1,500,000 inhabitants of the island. The people of Puerto Rico have interpreted section 9 of the organic act in the only way in which they should have interpreted it, namely, as the intention of this Congress to make Puerto Rico participate, as a community of American citizens, in all legislation that is contemplated to be of benefit to the rest of the American citizens.

Mr. HARE. Will the gentleman yield?

Mr. PESQUERA. Yes.

Mr. HARE. Do you have building-and-loan associations in Puerto Rico, or other associations that could qualify under this bill?

Mr. PESQUERA. Yes; we have one and we have a very good law which provides for the granting of power to building-and-loan associations to make such loans. We have plenty of mortgages as security in the banks of the island on homes, and we have some millions of dollars in home mortgages on the island. We are perfectly qualified to make good use of the benefits that are afforded by this legislation.

Mr. WILLIAMSON. Will the gentleman yield?

Mr. PESQUERA. I yield.

Mr. WILLIAMSON. What is the financial condition of the gentleman's building-and-loan associations out there? Are they in fairly good shape, most of them?

Mr. PESQUERA. They are not in very good shape. There is no association of that kind which is in very good shape, either there or here.

We are not asking alms. We are just pleading for proper recognition of the spirit and purposes of our organic act.

We pay no taxes, it is true, to the United States; but let me tell the gentlemen of this House that we are the best customer of the United States in Latin America.

We are your sixth best customer in the whole world. If it is true that the taxpayers of this country may have to make a little sacrifice in order to give us the benefits of this law, it is also true that they, being the business men of this country, are going to continue to get a benefit in their business with the island of Puerto Rico.

Now, gentlemen, we were dealt with as American citizens when the United States of America went into the World War. When the lives of American boys were necessary in order to maintain the principles of liberty and of democracy in the world, the American boys of Puerto Rico had their lives ready to give, together with the American citizens of the mainland.

We are now in a tremendous economic world war against depression, and we do not think we should be left alone, we do not think we should be excluded from any legislation in this emergency. [Applause.]

Mr. HARE. Would the gentleman favor the inclusion of the Virgin Islands?

Mr. PESQUERA. I would not object to it.

[Here the gavel fell.]

The CHAIRMAN. The question is on the amendment offered by the gentleman from Pennsylvania [Mr. McFADDEN].

The question was taken; and on a division (demanded by Mr. McFadden) there were—55 ayes and 26 noes.

So the amendment was agreed to.

Mr. McCORMACK. Mr. Chairman, I offer the following amendment.

The Clerk read as follows:

Line 13, page 2, strike out the word "two" and insert the word "three."

Mr. McCORMACK. Mr. Chairman, the purpose of the amendment is to increase the dwellings from two families to three families.

Mr. REILLY. I do not want to interrupt the gentleman's speech, but the committee will accept that amendment.

Mr. STAFFORD. If the gentleman will yield, I was seriously thinking of offering an amendment to make it four families. I can conceive of a double house of two stories, where the lower floor is occupied by two families and two families in the upper floor, making four families in all. I would like to have the gentleman's view upon that and why he should make it three families.

Mr. McCORMACK. Might I say that in my district at least 75 per cent of the dwellings are 3-family dwelling houses. The owner generally lives in one of the suites and lets the other two. Seventy-five per cent of the dwelling houses in my district—and undoubtedly that is true in many other districts—are 3-family or 3-tenement dwelling houses. My amendment is offered as that of a sincere supporter of the bill.

Mr. STAFFORD. There is no doubt about that; but I am seeking to include a double-tenement house of two stories, where the lower floor is occupied by two families and the upper floor by two families.

Mr. McCORMACK. But there are not a great many of those.

Mr. STAFFORD. Oh, there may not be in the gentleman's district, but there are in mine.

Mr. McCORMACK. In any event, the 3-family dwelling is not of the apartment type; it is simply a dwelling. It is a very common dwelling in the Northeast, and I assume in other sections of the country. So far as this bill is concerned it would have no injurious effects to the general purposes of the legislation. I hope the gentleman will interpose no objection.

Mr. STAFFORD. I am not interposing an objection to three; I am trying to make it four, to make it broader.

Mr. McCORMACK. I ask the gentleman not to compel me to go into that field.

Mr. STAFFORD. Oh, I shall relieve the gentleman of any embarrassment in that direction by offering the amendment myself.

Mr. GOSS. Mr. Chairman, will the gentleman yield?

Mr. McCORMACK. Yes.

Mr. GOSS. I favor the gentleman's amendment, but I am wondering if one could get loans on those 3-family houses inasmuch as the limit is \$20,000.

Mr. McCORMACK. The average assessed value is \$14,000 to \$15,000.

Mr. GOSS. Does not the gentleman think that we should increase the limit above \$20,000?

Mr. McCORMACK. I have offered an amendment increasing the number of families from two to three. The committee is agreeable to that amendment. It is absolutely a proper, reasonable, and practical amendment. It will affect tens of thousands of dwellings throughout the country, and it will be of great benefit to the owners of those dwellings.

Mr. HANCOCK of North Carolina. Mr. Chairman, the original bill that came before our committee, the Luce bill, contained the word "three" instead of the word "two." After considering this feature or limitation with respect to families we decided, in order to make it conform more to the detached Anglo-Saxon conception of a real, true home, to make it two. However, it is my understanding that the President's conference, called here last year on home planning and home building, contributed much information toward the preparation of this bill; and in collaboration with

the Department of Commerce, after a very careful and exhaustive study of conditions in all of the States, it was determined, or it was the best thought of that conference and composite wisdom of those who attended it, that three families were the proper unit. This is, perhaps, unquestionably the reason why a house for three families was originally in the bill.

Mr. McCORMACK. Mr. Chairman, in conclusion I want to urge the passage of the bill. In my opinion, the committee has done a wonderful piece of work. The passage of this legislation will have a stimulating and strengthening effect upon the stability, independence, protection, and safety of our home life in America. It is a bill aimed in the direction of the preservation of the family life, which is centered around the home. It is also consistent with our ideals of government. I congratulate the committee, and congratulate those Members who so actively interested themselves in the preparation and drafting of this bill. I hope the bill will pass, and with as few amendments as possible that are not recommended by the committee.

Mr. STAFFORD. Mr. Chairman, I offer the following amendment to the amendment, which I send to the desk.

The Clerk read as follows:

Amendment offered by Mr. STAFFORD to the amendment offered by Mr. McCORMACK: Strike out the word "three" and insert in lieu thereof the word "four."

Mr. STAFFORD. Mr. Chairman, the gentleman from Massachusetts [Mr. McCORMACK] has given the committee the structural condition of the dwellings in his district and environs about Boston. I wish to give the committee the conditions existing in my home city. On many of the individual lots owned by a man he erects first a little 2-story building. He lives in part of that building and rents the upper part. He then moves that dwelling later to the rear of the lot and erects a duplex apartment building in front and moves into that. A mortgage is placed on the property, which is a 4-family unit, and you would bar that man holding that small lot of 30 by 120 feet or more from the benefits of this law even though the property would be worth \$20,000 or under. There are instances where you may have a double building on a lot of 50 feet or so divided by a party wall, where the lower floor on each side of the party wall is occupied by one family and the upper floor by a tenant above. Each side of the party wall houses two families. The only question before the committee is as to the amount of the mortgage and the value of the land. We are not seeking to change that, but you should not prevent the benefits of this law going to those so situated in my home city. There would be many instances where a man wanted to borrow money from a building-and-loan association who will be barred if a two or three family limitation is placed in the bill.

Mr. MAY. Mr. Chairman, will the gentleman yield?

Mr. STAFFORD. Yes.

Mr. MAY. Is it not a fact that there are block after block in cities in this country where there are four families living in one building?

Mr. STAFFORD. Certainly. Each building has its own type. For instance, in Philadelphia they have the double building, one habitation each side of a party wall. In my city they have two duplex buildings on different parts of the lot. We are not seeking to enlarge the mortgage value of the property. We are seeking only to make available this law under existing living conditions as they are found in the respective parts of the country. I want this law to extend to my home district. I have no objection to it extending to the district of the gentleman from Massachusetts because he has acquainted me with a condition not known in my district.

Mr. CAMPBELL of Pennsylvania. This does not preclude the building-and-loan association from making loans to those people on mortgages, but such mortgages would not be eligible for rediscount.

Mr. STAFFORD. That is the point. The mortgage would not be eligible for rediscount, and I want the mortgage obtained from the building and loan association on such property to be rediscountable and to come within the

purview of this act. If you accept it for a 3-family dwelling, you should accept it for a 4-family dwelling.

Mr. CAMPBELL of Pennsylvania. But they are habitations, not homes.

Mr. STAFFORD. Oh, they are homes, with the owner occupying one of the parts.

Mr. BLANTON. Mr. Chairman, I rise in opposition to the amendment.

Mr. Chairman, there is only about one farmer in a hundred thousand who can come within the provisions of this bill. There are very few of them who have their homes in building and loan associations. A very few of them, a mere handful, may get a little benefit from it.

Congress has been passing bill after bill, involving huge sums of money, concerning which we have been promised that the farm mortgages would be cared for, and not one single one has been relieved yet. How much longer is Congress going to camouflage the farmers?

I was amused this morning at the camouflage that came from our military friend, the gentleman from New York, Mr. ANDREWS, splendid fellow that he is, with a splendid military record, Major ANDREWS, when he rose in his place and made a declaration. Back in the memorable days of 1928 the gentleman was manager for the President in Erie County, N. Y., and because of that fact I take it the gentleman must have been speaking for the President this morning when he rose here, with the galleries full of ex-service men, and said, "Mr. Speaker, I ask unanimous consent that the soldiers' bonus bill may be taken up for immediate consideration," leading those splendid fellows in the gallery to believe that he was for it, and that his President was for it.

Mr. MILLARD. Mr. Chairman, I make the point of order that the gentleman is not speaking on the bill.

Mr. BLANTON. Oh, I am coming to the question of camouflaging the people. The gentleman from New York was camouflaging the ex-service men. The gentleman is not even for that bill. The gentleman told me in the presence of Mr. LA GUARDIA two minutes after he made that request that he intended to vote against that bill. The gentleman [Mr. ANDREWS of New York] did not even sign the petition to discharge the committee, and he got up here and camouflaged, making it appear he was for it.

We ought to stop such practice here. When are we going to quit camouflaging the farmer? There are 20,000,000 people in the United States, who constitute the families of the farmers, immediately dependent upon the farmers. They are being thrown out of their farm homes every day. The United States marshal is coming up and putting them out of their homes because they can not pay the interest on mortgages at \$7 an acre, when they paid as high as \$50 an acre for their farms. They are having those \$50-per-acre farms taken away from them, and they are being turned out of doors because they can not pay interest on a little \$7-per-acre mortgage.

Mr. COLLINS. They are not organized.

Mr. BLANTON. They are not organized. That is the trouble. They do not have any organization to sit here in the gallery to watch us and call us to taws.

I was surprised that my friend, the gentleman from New York [Mr. BLACK], would propose such a bill as he did the other day, a bill to use these farms that the Government has taken over. And the Government has taken them over. These Federal land banks are quasi-Government institutions. You know they have been subsidized in a thousand ways by the Government. These farmers know that their farms have been taken away from them by United States marshals on judgments entered in Federal courts, if you please, in many instances.

There is a farmer in my district who paid \$35 an acre for his farm. He has grubbed it out himself with his own hard work. It would have cost him \$15 an acre to grub it. He has fenced it. He has improved it. He has a little \$11 mortgage on it and he can not pay the interest, and they sued him, 400 miles away from his home.

The CHAIRMAN. The time of the gentleman from Texas has expired.

Mr. BLANTON. Mr. Chairman, I ask unanimous consent to proceed for two additional minutes.

The CHAIRMAN. Without objection, it is so ordered.

There was no objection.

Mr. HART. Will the gentleman yield right there?

Mr. BLANTON. In just a moment. I only have two more minutes.

This farmer has to go 400 miles from home to defend this action in a Federal court. These farmers are too poor to employ a lawyer to go into court to defend them. I am wondering how long we will sit here and let that condition exist without putting into one of these bills a direction that will force the Reconstruction Finance Corporation to lend them enough money to take up these interest payments at maturity. It is a good investment for the Government, because the farms in ordinary times will sell for four times as much as the Federal land-bank mortgage. We must help the farmers to redeem their farms which have been sold under foreclosures.

I am in favor of a bill to grant relief to the urban home owners. I am in favor of this bill. I intend to vote for it; but why is it, I ask my colleagues, that we sit here, friends of the farmers as we profess to be, and we have not done a thing to redeem their farms that have been sold under mortgage? And I want to say that before the Seventy-second Congress adjourns, if I can do it by hard work, I am going to help you friends of the farmers to stay here until doomsday, before we let Congress adjourn, to see that the farmers are granted relief, and to see that they are loaned enough money to redeem their farms which have been sold under foreclosure.

The CHAIRMAN. The time of the gentleman from Texas has again expired.

Mr. REILLY. Mr. Chairman, I move that all debate on the amendment and all amendments thereto do now close.

The motion was agreed to.

The CHAIRMAN. The question recurs on the amendment offered by the gentleman from Wisconsin [Mr. STAFFORD] to the amendment offered by the gentleman from Massachusetts [Mr. McCORMACK].

The question was taken; and on a division (demanded by Mr. STAFFORD) there were ayes 37 and noes 54.

So the amendment to the amendment was rejected.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Massachusetts [Mr. McCORMACK].

The amendment was agreed to.

Mr. EATON of Colorado. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. EATON of Colorado: Page 2, line 4, after the word "institution" insert the words "or person."

Mr. EATON of Colorado. Will the gentlemen of the committee look at line 4, page 2, where you are attempting to define the word "member," and where you define "member" by stating that it means an institution?

You will not find in any of the statutes of the United States in the definitive part any definition of the word "institution." I only suggest to you the word "person" and trust that to-night you will find language that will fit in this place that will actually define who you mean shall be a member, whether it shall be an association of persons not called a partnership, or a trust, or a corporation, or an individual, or a partnership. The word "institution" is not the word that ought to be used here.

May I say further in regard to this bill, in our city we have some of the strongest building-and-loan and home-loan institutions of the entire United States? The first draft of this bill started a controversy between them. One side thinks you have something that is of benefit; the other side is sure that you have not; and some of the subjects in controversy have been the burden of my questions to you.

You have not provided in this bill any way whereby the present past-due mortgages can be taken care of. I have read the bill; I have read its predecessors. You have provided money to the people who are in the business of lending

money on home loans just as in the farm loan bill you provided money to the cooperative associations.

Here you furnish money to the building and loan associations and other lending institutions, but they are the ones that have the past-due paper, and this bill will not create any more value in the mortgagor's mortgage or security than he had before, and he is in debt and behind, and his taxes are not paid, his insurance premium is past due, and the value of his property has depreciated. The officials of institutions holding the paper say: "Values have gone down, we have got to foreclose and take over your home."

You have not provided anything here either to amortize the past-due amount into the future or to give a mortgagor a moratorium on any part of it. That is not in this bill. The part that you do put in is to finance the banks and let them renew or take more mortgages; that is, you let the central bank furnish the money to the lending banks, which is in furtherance of the policy of financing institutions during this depression so that foreclosures may be avoided. But in this bill foreclosure is not postponed or in any manner interfered with. The borrower continues in his plight.

Gentlemen, you are not giving a direct benefit at all to the people who are in trouble on mortgages. It is not here. You have not put it in this bill; but, as I understand the situation, it is your intention to leave that question up to the lenders who may receive benefits under this bill and trust to their good business judgment and sense of equity and fair dealing that this money will not be used for oppression, but to benefit the borrower.

I appreciate that it is the intention of the committee that this bill shall serve small savers and home owners by serving home-financing institutions throughout the United States, and that many of these are building and loan associations and small State banks. It includes almost every type of lending organization except national banks. Under no interpretation of the language of the bill, as I read it, can loans or extensions be made directly to home owners or home buyers. Certainly there can be found no language which would extend its terms to builders, speculative or otherwise, or to private mortgage companies or individuals who are not under governmental supervision. The benefit which the home owner may receive will occur when the institution from which he has borrowed or arranges to borrow his money has taken eligible loans to and rediscounted them with the newly created Federal home-loan bank. That institution, thus discounting, will then receive ready money whereby its money on hand may be deemed sufficient to carry for a longer time some of its past due paper or rewrite the mortgages upon longer time or with amortized payments to care for the amounts in default.

Commissions, bonuses, membership fees, withdrawal fees, and other devices to increase the cost of making and carrying a loan were discussed this afternoon. Not one word may be found in the bill which will discontinue or prohibit such practices. The gentleman from Wisconsin [Mr. REILLY], I think it was, explained that these could be covered by rules and regulations authorized to be made by the board. Very well. Whatever is done in regard to such items ought to be fair and equitable and not amount to extortion.

As I read the present bill, many of the objections to the two prior bills have been met in the one before us. It is based upon the principle of creating a central bank during the present emergency where capital may be found to care for the most valuable of "frozen" or long-time loans and release ready money for further use during the depression. Not only has it the support of a majority of the Banking and Currency Committee, but it also has the recommendation of the President, as I understand the statements made by various Representatives both on and off the floor of the House. Therefore, notwithstanding I am of the opinion that the matter which I have mentioned and others might have been covered specifically or in a different manner, I realize that this is the final and conscientious work of the members of the committee charged with the duty of drafting a suitable bill to meet the recommendation of the

President, and is the only one which I will have the opportunity to vote for to comply therewith.

Mr. STEVENSON. The gentleman desires to strike out the word "institution" and insert the word "person"?

Mr. EATON of Colorado. No, add the words "or person."

Mr. BLANTON. Not to strike out, but to add.

Mr. STEVENSON. Does the gentleman suppose any person is going to be ready to pay \$1,500 to secure the right to get in on this thing?

Mr. EATON of Colorado. If he is in the business of lending money on home mortgages.

Mr. STEVENSON. He is not eligible under the terms of this bill. It would have to be amended all the way through to extend eligibility to persons. Eligibility here is to institutions.

Mr. EATON of Colorado. What is an institution?

Mr. LAGUARDIA. Is not the real purpose of the bill to get away from the personal-loan shark?

Mr. STEVENSON. We are trying to get away from the loan shark and the mortgage broker. We are not letting them in. I understand that is the purport of the bill, and I get that information from the subcommittee who worked up this bill.

Mr. EATON of Colorado. Will the gentleman yield?

Mr. STEVENSON. I yield.

Mr. EATON of Colorado. I am not trying to open the bill to loan sharks. I am just drawing your attention to the fact that "institution" is a word that is not found in any definition in the United States statutes that would fit in here, and I presented this amendment for the purpose of directing your attention to it so the correction might be made.

Mr. STEVENSON. The word "institution" was written in here by the subcommittee, of which the gentleman from Massachusetts [Mr. LUCE] is a member, and the gentleman from Massachusetts is our authority in the Banking and Currency Committee on language and its usage, and a very capable one.

Institutions are certainly dealt with and that word is absolutely defined when you come to section 4 which declares who shall be eligible.

The institution eligible is defined over there and there can be no confusion about it.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Colorado [Mr. EATON].

The amendment was rejected.

The Clerk read as follows:

SEC. 3. As soon as practicable the board shall divide the continental United States and the Territories of Alaska and Hawaii into not less than 8 nor more than 12 districts. Such districts shall be apportioned with due regard to the convenience and customary course of business of the institutions eligible to and likely to subscribe for stock of a Federal home-loan bank to be formed under this act, but no such district shall contain a fractional part of any State. The districts thus created may be readjusted and new districts may from time to time be created by the board, not to exceed 12 in all. Such districts shall be known as Federal home-loan bank districts and may be designated by number. As soon as practicable the board shall establish, in each district, a Federal home-loan bank at such city as may be designated by the board. Its title shall include the name of the city at which it is established.

Mr. McFADDEN. Mr. Chairman, I offer an amendment. On page 3, line 15, after the words "United States," insert a comma and the words "Puerto Rico."

The CHAIRMAN. The gentleman from Pennsylvania offers an amendment which the Clerk will report.

The Clerk read as follows:

Amendment offered by Mr. McFADDEN: On page 3, in line 15, after the words "United States," insert a comma and the words "Puerto Rico."

Mr. REILLY. Mr. Chairman, that amendment is acceptable to the committee.

The amendment was agreed to.

Mr. RAMSPECK. Mr. Chairman, I move to strike out the last word. It seems to me this bill is very valuable legislation. I certainly hope the committee will perfect it and pass it as quickly as possible.

There has grown up in this country, due to this depression, a very serious condition affecting the home owners of our country. Of course, I do not expect, and I suppose none of us expect, that this bill is going to stop all foreclosures on homes by people who hold mortgages on them. I wish it were possible to stop them by some legislative action of this House, but I do not think that is possible. However, I think this bill as permanent legislation is going to be very valuable to the country.

I am from a State that has borrowed large sums of money throughout the past generations from other parts of the United States. I think the building and loan associations which have sprung up recently in my State are among the most valuable financial institutions I have ever known. They encourage people toward thrift. They keep the interest paid on mortgages in the home community, and the most valuable thing I see in this bill is that it furnishes for the building and loan associations a system similar to the Federal reserve banks, whereby they can increase their loaning power. It gives them the prestige of Federal Government supervision and examination, and it will bring to them increased funds for loaning purposes.

I do not think it is going to have any great effect on the foreclosure of mortgages held by insurance companies because they have to have their funds to meet loans on policies, but I do think it will enable the building and loan associations in my State and in other sections to greatly expand their activities and to take over a great many of these mortgages that are being foreclosed or called by insurance companies and other mortgage-lending agencies that now hold them.

It is a deplorable situation where a man has saved for 4, 5, or 6 years and paid his savings out to buy a home and then in a time like this, when money is hard to secure, when his income has been reduced, to have the company that loaned him that money say to him, "We can not renew your loan unless you make a substantial reduction in it," and he has not the funds whereby he can make any reduction. As a result his mortgage is foreclosed and he loses all he has paid in, is thrown out into the street, and must rent a home. That is a very deplorable situation, and while this bill will not cure all this trouble it certainly will have a tendency to help that situation; it will improve the situation facing the home owners throughout this country, and I hope the bill will be speedily passed.

Mr. STAFFORD. Mr. Chairman, I move to strike out the last two words. I invite the attention of the committee to that part of section 3 which provides that these Federal home-loan banks shall not contain a fractional part of any State. I would like to have the attention of the gentleman from South Carolina because I did not have his support of the good amendment I offered a few minutes ago, though I had the support of a good many other members of the committee. I call the gentleman's attention to the fact that in the Federal reserve act we do not ban portions of States from being made a member of a certain district. I can conceive in my home State where it might be advantageous to have the Upper Peninsula of Michigan and the northwestern part of Wisconsin, which is geographically a part of Minnesota, made a part of that Federal home-loan district. Before I made the motion I was going to suggest whether it would not be possible to strike out the clause in line 21, page 3, which provides that—

No such district shall contain a fractional part of any State.

Mr. STEVENSON. There is a provision that will take care of the gentleman's constituents who do not wish to be included in Minnesota but would rather stay in the State of Wisconsin and that is the provision that a member can be a member of a bank outside of his district, provided it is approved by the board and the conditions are such as render it necessary.

Mr. STAFFORD. Would it not be advisable to have the board divide the States into agricultural territorial units rather than have them follow the demarcations of the States proper?

Mr. STEVENSON. We are not dealing with the agricultural units in this bill. We are dealing with the urban people in this bill, and I do not see why the agricultural divisions of a State should have anything to do with it.

Mr. STAFFORD. Then I will ask whether it would not be better to have the districts formed regardless of State lines, based upon economic, financial, and business relations to the territory in which they are located.

Mr. STEVENSON. I take it the committee gave very careful consideration to that and I followed the subcommittee which prepared this bill absolutely on that matter and I am going to stay with them.

Mr. STAFFORD. Then I will ask my colleague what was the idea of having the State territorial lines govern in this matter.

Mr. REILLY. I will say to the gentleman that the bill came to the committee from the administration people who drew it up with that provision in it. My understanding is that the desire is not to separate any part of the State, because it would be more convenient to administer the law in that way. The laws governing building and loan associations and other similar organizations are quite different in various States and it was desired to keep the State lines intact in dealing with all the home-loan institutions in that State.

Mr. CHINDBLOM. May I ask the gentleman from Wisconsin [Mr. REILLY] in the time of my colleague, also from Wisconsin, whether, inasmuch as the largest State in the Union has a population of approximately 10,000,000, which would be about one-twelfth of the entire population of the country, it is the idea of the committee that these 12 districts, if there are that many, shall be of approximately the same population?

Mr. REILLY. Not at all. I stated some States will be made one district.

Mr. CHINDBLOM. Of course, the State of New York would have to be made one district.

Mr. REILLY. And the State of New Jersey has one-tenth of the building and loan associations in the country and would probably be another division. It is not a question of population, it is a question of convenience.

Mr. STAFFORD. Mr. Chairman, I gave some consideration to the thought advanced by my colleague, and, in view of the statement he has made, I shall not press any formal amendment.

Mr. BRIGGS. Will the gentleman yield?

Mr. STAFFORD. I yield.

Mr. BRIGGS. I want to ask the gentleman from Wisconsin [Mr. REILLY], who was a member of the subcommittee, a question.

[Here the gavel fell.]

Mr. BRIGGS. Mr. Chairman, I ask unanimous consent that the time of the gentleman from Wisconsin may be extended one minute.

The CHAIRMAN. Is there objection?

There was no objection.

Mr. BRIGGS. The purpose of this provision, as I understand, is that no Federal district established under this bill shall consist of less than one State. It may consist of more than one State, but not less than one State.

Mr. REILLY. And, furthermore, it can not consist of a number of States and half of a State.

Mr. BRIGGS. Or any subdivision or part of a State; it has to be an entire State or two States or three or more States, as the case may be.

Mr. REILLY. Yes.

Mr. STAFFORD. And in that regard it is different from the Federal reserve act.

Mr. BRIGGS. That is what I understand.

[Here the gavel fell.]

Mr. STOKES. Mr. Chairman, I rise in opposition to the pro forma amendment.

Mr. Chairman, I am opposed to this bill because I think it puts the Government in business. I think we want to keep the Government out of business, and I think, furthermore, it puts the Government into a business about which it

knows nothing. We will run a chance of losing a great deal of money. In order to place mortgages, we have to have experienced men who know something about it. I do not think we are going to get any experienced men at the present time unless we take a great deal of time about it.

I want to read a letter which I have received from one of the leading mortgage men in the city of Philadelphia, Mr. Clark, who says:

I feel that the public will not regain confidence in real estate until the law of supply and demand creates a shortage, with a consequent rise in rents and sales prices. In my opinion, any agency that will tend to keep a surplus of houses on the market is dangerous and destined to end in failure. It seems to me the agencies for maintaining prices on wheat, cotton, rubber, etc., interfere with the law of demand and supply and only prolong the period of readjustment.

In a statement recently made the Mortgage Bankers Association of America said that of the replies to the association's inquiry, 95 per cent reported that homes are more plentiful in their communities, and the enactment of the home-loan bank measure would be harmful to present property owners as well as to those who might build during the period of speculative building certain to follow the passage of this bill.

Mr. STRONG of Kansas. Will the gentleman yield?

Mr. STOKES. No; I only have five minutes.

This bill provides that debentures can be issued by the home-loan discount bank. We know that the Federal farm bonds and the joint-stock land bank bonds are selling at about 25 cents to 50 cents on the dollar. Who is going to buy these bonds? The investor will not buy them. It means that the Government will have to put up all the money itself.

We want to balance the Budget. We can not balance the Budget if we are going to spend a huge sum of money on this matter of rebuilding houses, because the home owner himself can not borrow. The small man is not permitted to borrow. He has to get this money through an institution.

I therefore hope you will not vote for this bill. I think it is a very uneconomic and unsound policy.

Mr. SUMNERS of Texas. Mr. Chairman, I would like to have the attention of the House, I only want to speak for two minutes. I am speaking out of order, with your permission.

May I suggest to the Committee on Banking and Currency and to all other committees, and to the Membership of the House, that while these measures we are considering for relief may each be good for temporary relief, but in my humble opinion—I am not going to say in my humble opinion, I know it—we are not going to reach the spot, we are not going to start rehabilitation until we do economic justice to the people of America who till the farm. That is where the economic paralysis began, and that is where the cure must begin. I want you to think about it.

The Clerk read as follows:

CAPITAL OF FEDERAL HOME-LOAN BANKS AND SUBSCRIPTIONS THERETO

SEC. 4. (a) Any building and loan association, savings and loan association, cooperative bank, homestead association, insurance company, savings bank, trust company, State bank, or other banking organization (except a national bank) shall be eligible to become a member of, or a nonmember borrower of, a Federal home-loan bank if such institution (1) is duly organized under the laws of any State or of the United States; (2) is subject to inspection and regulation under the banking laws, or under similar laws, of the State or of the United States; and (3) makes such home mortgage loans as, in the judgment of the board, are long-term loans (and in the case of a savings bank, trust company, State bank, or other banking organization (except a national bank), if, in the judgment of the board, its time deposits, as defined in section 19 of the Federal reserve act, warrant its making such loans). No institution shall be eligible to become a member of, or a nonmember borrower of, a Federal home loan bank if, in the judgment of the board, its financial condition is such that advances may not safely be made to such institution or the character of its management or its home-financing policy is inconsistent with sound and economical home financing, or with the purposes of this act.

(b) An institution eligible to become a member or a nonmember borrower under this section may become a member only of, or secure advances from, the Federal home-loan bank of the district in which is located the institution's principal place of

business, or of the bank of a district adjoining such district, if demanded by convenience and then only with the approval of the board.

(c) Notwithstanding the provisions of clause (2) of subsection (a) of this section requiring inspection and regulation under law as a condition with respect to eligibility for membership, any building and loan association which would be eligible to become a member of a Federal home-loan bank except for the fact that it is not subject to inspection and regulation under the banking laws or similar laws of the State in which such association is organized shall, for the period of 42 months after the enactment of this act, be eligible to become a member of a Federal home-loan bank. If, at the end of such period, legislation providing for inspection and regulation of building and loan associations has not been enacted by such State, such association shall cease to be a member and the same provisions shall apply with respect to the termination of its relations with the Federal home-loan bank as apply in the case of involuntary withdrawal of members under section 5 (1).

Mr. GOLDSBOROUGH. Mr. Chairman, I offer the following committee amendment.

The Clerk read as follows:

Page 5, at the end of line 16, insert "or similar institutions."

Page 5, line 21, strike out all after the word "shall" down to line 5, page 6, and insert: "On subjecting itself to such inspection and regulation as the board shall prescribe be eligible to become a member."

Mr. REILLY. Mr. Chairman, I move that the committee do now rise.

The motion was agreed to; accordingly the committee rose, and the Speaker having resumed the chair, Mr. CELLER, Chairman of the Committee of the Whole House on the state of the Union, reported that that committee had had under consideration the bill (H. R. 12280) to create a Federal home-loan bank, to provide for the supervision thereof, and for other purposes, and had come to no resolution thereon.

LEAVE OF ABSENCE

By unanimous consent, leave of absence was granted to Mr. HASTINGS, indefinitely, on account of important business.

TAX ON SULPHATE OF AMMONIA

Mr. FULMER. Mr. Speaker, I ask unanimous consent to extend my remarks in the RECORD.

There was no objection.

Mr. FULMER. Mr. Speaker, under leave to extend my remarks in the RECORD, I include a statement made by me before the Under Secretary of the Treasury, Mr. Ballentine, against the placing of a duty on the importation of sulphate of ammonia:

Congressman FULMER. Mr. Secretary, I realize that you have others who wish to appear before you this morning; and I want to ask permission to extend my remarks.

Under Secretary BALLANTINE. Please do.

Congressman FULMER. Would I be permitted to ask just one or two questions, either of you or some one who has been engaged in this investigation?

Under Secretary BALLANTINE. Certainly.

Congressman FULMER. I would like to ask, in this investigation, if any investigation has been made as to the financial condition of agriculture, which will have to pay this tax, and what it will mean as an added burden to millions of farmers in comparison with the small benefits to the few manufacturers of this product?

Under Secretary BALLANTINE. I think we might answer you, Mr. Representative, by saying that we have a fairly good knowledge of that subject. The condition of agriculture is the thing that comes home very closely to us; mostly on account of its general business importance; and through the operations of the Farm Loan Board, which, as you know, is under this department; and I think you can rely upon our having the knowledge which you refer to.

Congressman FULMER. I would like to ask this question: I realize that you held a number of conferences during this investigation, which has been going on for several months, and I would like to ask if in these conferences you have had some one representing agriculture present, so that they could get the facts as presented by the manufacturers in requesting this embargo?

Under Secretary BALLANTINE. In the hearings that we have held we have not had present representatives of agriculture any more than there is present here to-day a representative of these manufacturers who are seeking to have us invoke the antidumping clause. These hearings are conducted by hearing each side, just as we are hearing you now; but you can rely on the fact that the agricultural interests are not being lost sight of for a moment by the department.

Congressman FULMER. Mr. Secretary, you realize that in appearing here this morning we would not be in position to go into the facts as presented by the manufacturers, because we have not had the privilege of sitting in on any of the conferences you have had with them; nor have we been able to get any information in connection with what has been presented to you. I would like to state that we all understand that the importation of sulphate of ammonia has increased for the last year or two; but if we will take the figures for 1930 and 1931, we will find that they are as large as the imports of sulphate of ammonia in some past years. We also find in comparison with 1930 and 1931 the production of sulphate of ammonia in the United States has decreased somewhat. We will take the first two months of 1930 in comparison with 1931—the production in the United States perhaps decreased about 30 or 32 per cent.

It may be that the manufacturers of sulphate of ammonia would argue that this has been brought about because of the importation of sulphate of ammonia, and that they were not able to compete; but we have a report from the Department of Commerce; and it is a known fact, and I expect you realize it, that the steel manufacturers have not been very active in the last year or two; I imagine because of the conditions existing at this time. As stated by one of the witnesses, I am sure that the manufacturers of sulphate of ammonia, which is a by-product, would be well able to increase their production; and inasmuch as it is a by-product, be able to compete with any manufacturer in any country. I want to call your attention, Mr. Secretary, to the fact that practically everything that the farmer is buying at this time, he is paying a price much higher in comparison with the price that he is receiving for his product. Everything on the farm is selling considerably below the cost of production. I run a large farm myself, and I have to buy implements and all other things necessary to run that farm; and I know prices have not been materially reduced. I am now going into the market with truck and absolutely unable to get the cost of these products. It is absolutely necessary to either have nitrate of soda or sulphate of ammonia. The agency handling the nitrate of soda has been able to form a combination whereby they have been able to absolutely fix and control prices. Now that we have a certain amount of importation of sulphate of ammonia, on a competitive basis with this product in the United States at a fair price, it is proposed to increase the price with a tax to farmers who are absolutely broke and unable to buy sufficient quantity of fertilizer to produce their crops. It would be very unfair, especially at this time, to place a duty on sulphate of ammonia. As stated a while ago, thousands of farmers this year would be unable to carry on except for a very small loan from the Federal Government. If you, at this time, levy a duty on sulphate of ammonia, \$2 or \$5, you are simply taking back from the farmer a part of the money that he has borrowed from the Government. These farmers have pledged their whole crop to the Government to pay—and with this tax they would really be unable to carry on.

I would like to state this in closing: That this tax will affect largely the South, because we have to have fertilizer to produce crops. I want to call your attention to the fact that the Farm Board to-day is holding three or four million bales of cotton, and we have a surplus of around 13,000,000 bales, with no prospect of a price that will even bring about the cost of production. With the assistance of the board and the extension service farmers are barely trying to produce crops to maintain their families and carry on, and now to place this duty on sulphate of ammonia I can say to you frankly that I do not see any way out for the agricultural interests in that section.

I am sure that you understand, even recently, that thousands of acres of land in cotton States in the South are being sold for the taxes; and if they are unable to pay State taxes they do not pay Federal taxes, because they are unable to make a profit. I am sure they can not pay a tax on this product. If you tax sulphate of ammonia, I am absolutely unable to see any hope for agriculture. If there is any reason why a tax should be placed on sulphate of ammonia, I would like to state that this is the inopportune time to do it. It appears to me that the Government would be going in a circle, so to speak. We loaned the farmer \$75 to produce his crop—buy his fertilizer, based on prices some time ago; and now we put a tax on sulphate of ammonia, taking back part of the funds the Government lent him.

Under Secretary BALLANTINE. You understand, Mr. Representative, that the reason that is given for invoking this provision is the contention that foreign manufacturers of sulphate of ammonia are disposing of their product here in our market at prices which are very much less than prices which they charge for that product in the country where produced; and to the damage of our domestic producers of sulphate of ammonia. The manufacturers of sulphate of ammonia in this country are seeking to invoke the antidumping clause, and that is the issue which is presented to the department.

Congressman FULMER. Mr. Secretary, that is the unfair part about it. In agriculture we plant various types of produce. We invariably lose on some of those products, and, perhaps, make a slight profit on others. That is the case in all lines of business; even the mercantile business. Sulphate of ammonia is a by-product, and a very small item in connection with the great steel industry; and, of course, they are the ones who manufacture sulphate of ammonia. That brings up the question as to whether or not, in your investigations, you went into the matter to the extent of ascertaining whether they have made a profit on their business as a whole. Thank you, Mr. Secretary.

(The table from the Department of Commerce, referred to by Congressman FULMER, is copied below.)

Sulphate of ammonia produced in the United States according to the Bureau of Mines of the Department of Commerce

Calendar year:	Short tons
1929	744,000
1930	671,000
1931	471,000

Sulphate of ammonia produced in the United States according to the Bureau of Foreign and Domestic Commerce

Calendar year:	Short tons
1929	21,000
1930	38,000
1931	126,000

Sulphate of ammonia exported from the United States according to the Bureau of Foreign and Domestic Commerce

Calendar year:	Short tons
1929	162,000
1930	91,000
1931	75,000

Sulphate of ammonia consumed¹ as fertilizer in the United States according to estimates of the National Fertilizer Association

Calendar year; includes Hawaii and Puerto Rico:	Short tons
1929	618,500
1930	602,000
1931	490,000

Congressman FULMER. Mr. Secretary, I would like to ask if I can not secure, at this time, a copy of the minutes of the hearing that was held, I believe, last Monday, with sulphate of ammonia manufacturers?

Under Secretary BALLANTINE. I do not think that would be in accordance with the practice. We can not have both sides in cross-examination, like in court procedure; because we would never get through if we undertook that procedure.

Congressman FULMER. I mean, a copy of the minutes of the hearing as presented.

Under Secretary BALLANTINE. The minutes are not printed. They are only typewritten for our own records; and we could not, therefore, comply with your request. However, I want you to be certain in your mind that you can rely upon our giving your side, and your evidence, thorough consideration. Do not think for a moment that because you are not present that we do not sit down with the most earnest desire of getting the right answer; and that we do not take into consideration your side of the case.

Congressman FULMER. Then, I understand that those of us opposing this proposition will not have an opportunity to even refute the statements made by the manufacturers or others who are asking that this antidumping clause be invoked.

Under Secretary BALLANTINE. You are going to be in exactly the same position as they are—they do not have a copy of what you say and you do not have a copy of what they say. You are treated exactly alike, and you are going to be fairly treated, Mr. Representative. This is just the difference between administrative and court procedure, but I do not think you need worry about the matter.

Congressman FULMER. I think it is unfair that we are not permitted to look over and review the statements made by the other parties.

Under Secretary BALLANTINE. We review the statements ourselves, Mr. Representative, and we make independent investigations to find out the truth or untruth of the facts as presented. Do not think we are going to take any bad money.

Congressman FULMER. I appreciate that.

ECONOMIC CONDITIONS AND DIVIDENDS FOR GOVERNMENT EFFICIENCY

Mr. BUCKBEE. Mr. Speaker, I ask unanimous consent to extend my remarks in the RECORD on the economic conditions and also on dividends from Government efficiency.

There was no objection.

Mr. BUCKBEE. Mr. Speaker, during the past weeks we have given much time to the question of curtailing expenses of the Federal Government, and it has been a source of surprise and pleasure to me to find so many of the bureaus of the Government to be wholly or partly self-supporting.

The earnings from individuals and corporations for the fiscal year 1931 of the Department of Justice total \$1,784,806.40, and were collected by United States marshals, clerks of the United States district courts, and clerks of the United States circuit courts of appeal.

The fees turned into the Treasury of the United States for tests for private individuals and concerns by the Bureau of Standards during the calendar year 1931 amounted to \$61,180.44.

¹ It is estimated that 15,000 tons of sulphate of ammonia are annually used in other industries.

² Includes 460,500 tons reported used in mixed fertilizer in the 1929 United States Census of Manufactures (Apr. 21, 1932).

The Insolvent Division of the Treasury Department, the division which issues and redeems Federal reserve notes, the division which redeems national bank currency, and the activities of that office and the field with respect to examination of national banks are self-supporting. In the fiscal year ending June 30, 1931, out of total expenditures of \$3,276,381.96 only \$308,662 were expended from appropriated funds and of this amount \$51,849 were reimbursed, or, in other words, paid back to the United States by the banks, so that \$256,813 was the total cost out of appropriated funds for the fiscal year 1931. If there were taken into consideration the tax of one-half of 1 per cent levied on national bank currency, which brings into the Treasury over \$2,000,000 each year, the entire office might be called self-sustaining. In fact, it would show a profit of over \$1,500,000 each year to the Government.

Incident to the operation of naval activities, some income is received, the total amount covered into the general fund of the Treasury as "Miscellaneous receipts" during the fiscal year 1931 being \$4,470,397.78. The principal sources from which this amount was received covers royalties, naval petroleum reserve, sales of surplus and condemned supplies, sales of hydrographic charts, radio service, and profit on work done for private parties.

The Passport Division of the Department of State and the passport agencies together issued 163,904 passports and renewals and collected \$828,789 for the fiscal year 1931, for passport, renewal, and execution fees. This is very profitable to the Government, since the total cost during the year amounted to \$73,018.54 for the agencies and \$196,141.32 for salaries, contingent, and printing expenses for the Passport Division in the department. In the Foreign Service there was collected a total of \$3,146,347.40 for invoice, visa, notarial, and other fees in the Consular Service. The total operating cost of the Foreign Service during the fiscal year 1931 was \$10,312,702. The stenographic section of the Department of State is in no sense a self-supporting division, although there was paid to the Government through that division \$509.79 for photostat copies of the laws of the United States. The Mixed Claims Commission, United States and Germany, may have been partly self-supporting during the fiscal year 1931, since there was deducted by the Treasury Department from each payment made on account of an award one-half of 1 per cent, totaling \$64,440.30, as against a cost of \$127,657.43 for the same period. I am advised that although the total deductions to date have not equaled the total cost of the operation of this activity, it is estimated that when all payments of awards have been made, the total deductions to be made by the Treasury Department will exceed the entire cost of this commission. The Division of Communications and Records of the department presents claims to the American-owned telegraph companies for refund on incoming messages of the difference between the full commercial rate paid at the point of origin and the outgoing Government rate on similar messages. During the fiscal year 1931, \$18,499.29 was recovered at a cost of \$1,800.

In regard to the Department of Commerce, I find that the Coast and Geodetic Survey, through sale of charts and publications for the fiscal year 1931, has collected \$74,674.88. The Bureau of Fisheries for sale of sealskins and foxskins has collected \$96,103.10. The Patent Office has collected in patent fees \$4,473,647.80. The Bureau of Mines has collected during this period for testing fees and sale of gas from helium \$23,054.52.

The net revenues from the operation of the Panama Canal total \$15,159,991.38. The interest on canal investments at 3 per cent approximates \$16,000,000, which is not included in the operating expenses. The gross income for the fiscal year 1931 from the operation of the Panama Canal Railway Co. is \$1,259,500.66. The net income from the operation of the Inland Waterways Corporation is \$298,756.51. The cost of the operation of Muscle Shoals, Ala., nitrate plants is \$83,000 as against \$99,233 receipts from leases. Twenty-four thousand four hundred and forty-five dollars and fourteen cents was received from the operation of the hydroelectric power plant at the Rock Island Arsenal, and the amount received

from the operation of the Rock Island Bridge is \$8,459.84 for the fiscal year 1931.

Through the office of the Secretary of the Interior a small amount is collected for the sale of official papers and certificates of authentication. A considerable amount of photostat work is also done for the bureaus and other offices of the department, which is subsequently sold and the amounts collected from this work are covered into miscellaneous receipts. The General Land Office is more than self-supporting. The cash receipts from all sources, none of which were collected from other Government agencies, aggregated \$4,835,761.85 during the fiscal year ended June 30, 1931, and the total expenditures for the conduct of its business, including its field activities, amounted to \$2,158,159.81.

The Bureau of Geological Survey is partially self-supporting. During the fiscal year 1931, \$43,430.17 was collected from private individuals, firms, and corporations. The conservation branch of this bureau makes no collections of funds from private individuals, firms, and corporations; but its work—land classification, supervision of power permits, grants and licenses, and supervision of mineral leasing operations—is a part of land administration that is self-supporting, the collections being made by other Government agencies. Funds collected during the fiscal year 1931 for the Indian Service aggregated \$986,927.70. In addition, sundry special funds amounting to \$70,743.11 were collected and retained for expenditures by disbursing agents. This represents money collected for expenses of special activities, such as dipping sheep, marketing cattle, threshing and grinding grain, and so forth.

With the exception of emergency charge-offs made pursuant to legislation, the Bureau of Reclamation is entirely self-supporting, collecting for the fiscal year 1931, \$12,367,666.56. The National Park Service is partially self-supporting, having collected for the fiscal year 1931 revenues totaling \$940,364.49. During the fiscal year 1931 the Alaska Railroad collected \$1,209,575, of which \$191,973 was due connecting lines. The net amount was \$1,017,602. During the year 1931 St. Elizabeths Hospital received from private sources \$77,225. Columbia Institution for the Deaf collected from individuals and corporations \$15,262, and Freedmen's Hospital collected from pay patients \$20,629.75. The Territory of Hawaii was wholly self-supporting during the fiscal year 1931. Howard University collected from students, university activities, endowments, investments, donations, and so forth, \$486,318.90. The estimated revenues and private contributions for the Virgin Islands total \$200,755.

I do not wish to take up an undue amount of your valuable time on this subject, but I would like to submit further information for your earnest consideration, and therefore request unanimous consent to extend my remarks in the RECORD.

DIVIDENDS FROM GOVERNMENT EFFICIENCY

There are many activities, many types of research, which it is either impossible or impractical for the individual citizen of the United States to undertake for himself. As such activities and research are essential to the welfare of the whole people of the United States, the Federal Government has undertaken them. In many cases the Government renders these services free of charge. In other instances, usually where the benefits of the governmental service are restricted in application, nominal fees are charged. As an example of this, the Bureau of Standards makes nominal charges for testing products where the result of the test is not of general interest. Such fees in the fiscal year 1931 earned the bureau a total of \$66,576.15. Where an entire industry or the entire population is benefited services are rendered free. There are thousands of examples of this type of service. This bureau alone is responsible for thousands of scientific discoveries benefitting every citizen of the country. For example, a new method of making paper on which paper money is printed doubles the life of the money and saves the Government \$2,000,000 a year.

In this bureau there is a division concerned with the utilization of waste products from the land. The discovery of a use for corn stalks and corn cobs has resulted in the establishment of a factory which purchases annually more than \$200,000 worth of corn waste from the farmers of Iowa and Illinois. This amounts to four times the annual appropriation for the entire division of the Bureau of Standards, which developed the process.

Cottonseed, once a nuisance difficult to dispose of, last year (1931) was worth \$265,000,000 to the cotton farmers of the South, because of the research which has made its by-products valuable.

Research now going forward in the development of high grade cellulose from wheat straw, corn stalks, cottonseed hulls, and so forth, all of which are usually waste products, will permit the manufacture of rayon, cellophane, and hundreds of other valuable products from this waste to a greater extent in the future.

Research in the textile division of the Bureau of Standards was estimated by the National Association of Hosiery and Underwear Manufacturers to be worth more than \$25,000,000 to the hosiery and underwear industries.

One division of the Bureau of Standards is concerned with standardization of sizes, grades, and so forth, in various industries with the object of eliminating industrial waste. Industries affected by this planning thus far have estimated their savings at over \$600,000,000.

The Bureau of Standards has an optical glass plant which manufactures all of the optical glass used by the United States Navy. The operation of this plant is essential to our national defense, as there is no commercial glass plant in the United States capable of doing the same kind of work. Discontinuance of this plant would necessitate importation of optical glass for the Navy.

The Bureau of Standards makes routine tests of articles purchased for Government use to insure the Government's "getting its money's worth." The value of these tests for the last fiscal year was \$683,170.67.

The bureau does a large amount of research work for the National Advisory Committee for Aeronautics in the development of new aluminum alloys, power plants, dopes, designs of wings, and so forth. This work is indispensable to the progress of aviation and has an obviously important bearing on our national defense.

It is obviously difficult to evaluate the services of another service bureau in the Department of Commerce, the Bureau of Foreign and Domestic Commerce.

This bureau maintains 58 foreign offices in the leading trade centers of the world. The activities of these offices are devoted to the promotion of the foreign commerce of this Nation. The aid they render to the American exporters is practical and definite.

Located in the large foreign markets and constantly alert for any trade opening for American goods, they immediately report these opportunities to the bureau in Washington. Here the information is disseminated to every interested manufacturer in the United States.

These foreign representatives secure credit information as to every leading firm in their territory and forward it to Washington. As a consequence the bureau has built up a commercial intelligence file that stands as one of the foremost sources of authentic credit information in the United States to-day. It is impartial, conservative, and reliable.

The men in the foreign offices report at once any changes or suggested revisions of foreign tariffs. As a result of this activity the Bureau of Foreign and Domestic Commerce has become the only source to which the harassed American producer can turn to find up-to-the-minute, reliable tariff data that separates rumor from facts. This service alone saves millions of dollars for American exporters each year.

The foreign offices conduct surveys on advertising in their territories. To-day an exporter can come to a district office of the Bureau of Foreign and Domestic Commerce and get immediately data as to how he should conduct an advertising campaign in any foreign area, what the potential market is, the type of people his literature will reach, the merchandising methods of the country, the best distributing point, and

so forth. In short, he can get at once all the information that he needs to plan an efficient and successful entrance into a foreign market.

The foreign office must report on the exchanging commercial and industrial conditions in the territory so that American interests concerned can be protected.

In effect, the foreign office serves as a sales agent for the American shipper. A certain manufacturer will address a foreign office saying that he would like to secure representation for the sale of his product in that area. The foreign office contacts the most suitable representatives in the trade and suggests a local merchant. The office follows up the correspondence of the American merchant until the agency is established and yielding a suitable return.

Through the foreign service of the bureau last year, in spite of the depression, American exporters obtained \$57,000,000 in new business, a return to American business of \$11 for every dollar expended on the entire bureau. It is estimated that this amount of business netted the Government a return of at least \$1,500,000 in income-tax collections.

Because of the aggressive policy of the Bureau of Foreign and Domestic Commerce in seeking new markets, we have become the largest exporting nation in the world. Exports in 1931, during the depression, were valued at \$2,500,000,000. It is estimated that upward of 1,400,000 men were employed in the production of products for export.

The services of the Bureau of Foreign and Domestic Commerce are primarily for the small diversified manufacturers who can not afford to make their own contacts in foreign countries. The manufacturer is the one who would be most seriously affected if the services of the bureau were curtailed. The large manufacturer can afford to send his own representatives to foreign markets. More than 80 per cent of the services of the bureau are for the little fellow.

Through the bureau's efforts last year, 2,873 new agency connections abroad were established for domestic industries. These may conservatively be valued at \$500 to \$1,000 each.

In domestic markets the bureau cooperates with trade associations in making surveys, and so forth. Last year the bureau spent \$100,000 in this type of work and industries involved contributed \$1,200,000. In one survey, of retail drug stores, 31 trade associations cooperated with the bureau and contributed \$75,000 as compared to the bureau's expenditure of only \$25,000.

The bureau last year furnished 730,000 lists of foreign-trade prospects; 940,000 definite trade opportunities for the sale of American goods abroad; and 190,000 reports on foreign concerns supplementing the reports of credit-rating concerns such as Dun's, Bradstreets, and so forth.

The Department of Commerce turns into the Treasury each year over \$7,000,000 received in the form of fees, etc.

The proposed reduction in the appropriations of the Department of Commerce for the next fiscal year will mean the closing of 20 foreign-trade promotion offices, 18 offices in the United States and the dismissal of 473 employees from the bureau. Five divisions of the Washington offices would have to be discontinued: Agricultural implements, boots and shoes, foreign construction, motion pictures, and aeronautics trade.

The actual cash receipts of the Department of Commerce for the fiscal year 1931 were as follows:

Fines and penalties, aeronautics branch.....	\$6, 130. 00
Fees, China trade act.....	2, 075. 00
Sale of publications, Bureau of Foreign and Domestic Commerce.....	5, 361. 97
Fees for statistical services, Bureau of Census.....	6, 868. 54
Tonnage taxes, Bureau of Navigation.....	1, 777, 612. 54
Fines and penalties, Bureau of Navigation.....	340, 743. 35
Navigation fees, Bureau of Navigation.....	205, 208. 60
Testing fees, Bureau of Standards.....	66, 576. 15
Sale of charts and publications of Coast and Geodetic Survey.....	74, 674. 88
Sale of seal and fox skins, Bureau of Fisheries.....	96, 103. 10
Patent fees, Patent Office.....	4, 473, 647. 80
Testing fees, Bureau of Mines.....	11, 557. 00
Sale of gas from helium, Bureau of Mines.....	11, 497. 00
Total.....	7, 078, 055. 93

Sir Horace Plunkett, Ireland's great authority on agriculture, recently described the United States Department of

Agriculture as "the most useful institution on earth." This department has won its position as a public-service institution by scientific triumphs and in practical help, benefiting not only agriculture but industry and the general community as well. Much of the work promotes public health and well-being. Its research, by helping farmers to grow better crops and livestock, reduce their costs, and market their products more efficiently, benefits the consuming public every bit as much as it benefits the producing farmer. A few examples will show why practically everyone is interested in the department's activities.

The public has a vital interest in the Federal meat-inspection service, which costs more than \$5,000,000 annually. This service maintains a high standard of sanitation in packing plants, and aims to insure safe, clean animal products. The research and the veterinary work of the department promote public health by eradicating animal diseases or reducing their prevalence. Through enforcement of the pure food and drugs act, the tea and milk import acts, the caustic poison act, and other similar acts, the public is protected against unwholesome or adulterated foods and drugs, inferior disinfectants, and ineffective insecticides.

The weather service of the Weather Bureau of the Department of Agriculture is indispensable to innumerable commercial and industrial enterprises. Building contractors save on cement jobs by heeding frost forecasts. Shippers of perishable products prevent losses in the same way. Weather reports are indispensable for navigation and aviation, and many more matters.

The administration of our forest resources and their utilization with thought of the need for conservation is of interest to the entire population. The Department of Agriculture administers forests with an area of 160,000,000 acres, and cooperates in fire protection on 240,000,000 acres more. The perpetuation of our forest resources is of immense value to the public as a whole.

Few of us realize that more than half of the total expenditures of this department goes for the improvement of roads. The Federal aid system consists of the most important interstate and intercounty roads, thus benefiting both city dwellers and farmers.

Primarily, the department is a research institution. Research in the department from 1888 to 1893 proved that a microorganism found in the blood of cattle is the cause of splenic fever, and that the disease is transmitted by the cattle tick. This was the first demonstration that a microbial disease can be transmitted exclusively by an insect host or carrier. The beneficial results were literally stupendous. They were not limited to an improvement in the health of cattle. The discovery ranks among the great achievements of medical science; it led to the knowledge that such diseases as yellow fever, malaria, typhus fever, African sleeping sickness, Rocky Mountain fever, and other maladies are similarly transmitted. It made possible the control of yellow fever in the Canal Zone.

Scientists in the department discovered, in 1903, that hog cholera is caused by a filterable virus, and developed a preventive serum that saved a threatened industry.

Research in the department discovered an effective remedy for hookworm in human beings, vastly extended the shipping range of citrus fruits, rehabilitated the disease-threatened sugarcane industry, protected the potato industry, and found uses for numerous farm by-products. These are merely examples.

The development of new varieties of plants and the introduction of foreign varieties to American soil has made it possible to better utilize our land resources. Pima cotton, for example, was developed by selection from cotton originally brought from Egypt. The new cotton is of great length and strength and is now grown in the Salt River Valley of Arizona. Hardy alfalfas have been brought from Siberia and other parts of Asia; the soybean from the Orient; Sudan grass, Rhodes grass, Napier grass, velvet bean, and purple vetch from Africa and elsewhere. We are indebted to Russia for the original Durum wheat, a crop that is now so improved that it has an annual value in this country of nearly \$100,000,000. Sudan grass now has an annual

crop value of over \$2,000,000 in this country. The Washington navel orange, introduced from Brazil in 1872, which now makes up the bulk of the California orange industry, is only one example to show how American orchards and groves have been enriched by the introduction of scores of fruits and nuts from abroad. Through numerous investigations the department has improved this orange and perpetuated the best qualities through bud selection. In more recent years there has been added the date, the alligator pear, the mango, Chinese and Japanese persimmons, the papaya, and the pistachio nut, and many more fruits, nuts, and so forth.

Methods of growing cotton have been considerably modified in recent years by the new method of thick spacing of single-stalk plants, based on a technical botanical discovery that the cotton plant has two distinct kinds of branches. The single-stalk cotton is earlier and more productive, especially under boll-weevil conditions or in short seasons. The yields are often increased from 10 to 30 per cent, or even from 50 to 100 per cent under some conditions, by the new method.

In 1929, when the campaign to eradicate the Mediterranean fruit fly was in full swing, Department of Agriculture scientists developed a way to sterilize citrus fruit by heat. This permitted the orderly marketing of citrus fruit grown in the infected area and saved millions of dollars to growers.

A calcium salt, once so rare that it cost \$150 a pound, now may be had for 50 cents a pound because of recent work by the department's chemists. In looking for molds to produce tartaric acid, 149 were examined without results. The one hundred and fiftieth unexpectedly produced gluconic acid. This is now used in making calcium gluconate, the only calcium salt that can be injected between the muscles, without causing abscesses, in treating human diseases.

Strawberry growers in North Carolina last year increased their yields by 400 to 500 quarts per acre, and their average profit by \$75 an acre, through the use of fertilizing methods recommended by the department.

The department was the first scientific organization to demonstrate that resistance to disease in plants is of a genetic character, and that resistant qualities can be bred into or out of plants. Intensive research by the department and developments in wilt resistant and disease resistant varieties of cottons, melons, beans, peas, lettuce, cantaloupes, tomatoes, onions, and so forth, have resulted in a saving of many millions of dollars annually.

Research in the Bureau of Animal Industry developed last year a way to control the liver fluke in sheep. This parasite has caused much loss in California and other Western States. Investigators found that the liver fluke spends part of its life cycle in a certain snail that lives in wet pastures and along the banks of water courses and irrigation canals. When such areas are treated with copper sulphate a chemical extremely poisonous even in minute quantities to snails, the life cycle of the parasite is ended. As a result of this discovery sheep raising in the areas affected has been reestablished on a safe basis.

Big savings to the hog industry have come from the bureau's discovery that roundworms in swine can be controlled by preventing newly born pigs from swallowing the microscopic worm eggs commonly found in old hog lots and on the bodies and udders of sows. This innovation reduces mortality among pigs, hastens their maturity, and saves feed.

Not long ago, the Bureau of Dairy Industry discovered how to condense skim milk so as to make the product self-preserving. As a result, skim milk can now be readily converted into concentrated sour skim milk, in which form it can be preserved and transported. Manufacturers of concentrated sour skim milk provide the butter maker, the city milk dealer, and others with a convenient and practical means of utilizing one of the most important by-products of the dairy industry. About 75,000,000 pounds of skim milk annually are now converted, by the bureau's process, into concentrated sour skim milk.

Though it is impossible to set a money value on animal disease prevention, it can not be doubted that the value is

enormous. In the five years 1926 to 1930 the number of cattle affected with diseases or other abnormal conditions in Federally inspected slaughterhouses decreased from 59 per thousand to 42 per thousand. Affected swine decreased from 142 per thousand in 1926 to 115 per thousand in 1930. Cattle known to be free of tuberculosis are worth fully \$10 a head more than nontested cattle. Tuberculin testing in 1931, in which year more than 13,000,000 cattle passed the test, meant on this basis an increase in value of \$130,000,000. Hog cholera losses, which used to exceed 5 per cent of all hogs in former years, now are below 3 per cent. This is a direct result of hog cholera prevention methods developed by the department.

Here is one attempt to place a money value on research. An analysis was recently made of 20 continuing projects in insect pest control; the projects cost \$300,000 a year, and they result in saving crops that are worth \$69,500,000 a year.

In the foregoing I have mentioned a few achievements of various branches of the department's research. Glance now at a single field—the utilization of by-products—and see this impressive record:

The little tomato seed was a waste of the catsup industry until chemists found a way to extract its oil. To-day this oil is used as food and in making fine soaps. Likewise, the kernel of the seed of the apricot was a waste of the apricot industry until chemists found a way to free it from its bitter principle. To-day the apricot kernel, tasting nearly like the almond, is used in flavoring macaroons. The seeds of the raisin were a waste with the seeded raisin industry until chemists found a way to use them. The oil of the seed is compatible in taste with the raisin, and work is now being done in spraying this oil on the seeded raisins to keep them soft and fresh until consumed.

Our chemical laboratories point out to us an age of cellulose, which challenges our imagination. What is cellulose? It is the substance—consisting of the three chemical elements, carbon, hydrogen, and oxygen—which is the principal part of the solid framework of plants. The wooden floors we walk upon, the newspapers and magazines and books we read, corn cobs, corn stalks, wheat straw, and other straws—these and myriad other things are largely cellulose. Chemically, cellulose is very similar in composition to cornstarch and the sugars; it contains the same elements and is convertible into sugars by the action of heat and acid.

Cotton is nearly pure cellulose. The chemist already knows how to make rayon and artificial silks out of cellulose from cotton linters, corn stalks, and so forth, and industries of great size have sprung up to manufacture them. Who can imagine the future in store for the humble and lowly cornstalk? I have seen a beautifully printed and bound book entitled "Farm Products in Industry," the paper of which was made mainly of corn stalks. I have read farm journals printed on paper, the most costly part of which had been replaced by cornstalk pulp. I have handled samples of insulating and building board made of corn stalks, some as porous and light as cork and some almost as hard and dense as iron. Who can say now, in view of the industrial beginnings already made, what part corn stalks will play in the building construction and heat and cold insulation of the future? Some day most of our books and daily news may come to us on cornstalk paper.

For generations the cotton farmer has had as his main business the production of an industrial inedible fiber for the textile mills. At the time of the Civil War the by-product cottonseed, except the small quantity saved for planting, was practically waste; in 1870 it was used for fertilizer; in 1880 for cattle feed; and 1890, thanks to the chemist and his research, a cottonseed-oil industry came into being. Cottonseed oil is used in cooking and for many other purposes.

A by-product may even have by-products of its own. In pressing the cottonseed to extract the oil the cottony fuzz on the seed was a nuisance. This fuzz is called linters. To-day we have a great industry which makes a product out of linters that looks and feels like silk. This is an accomplishment of the research chemist, made in the chemical explorations of cellulose. Linters have become so valuable that the seed is sometimes scraped so close that it looks as if it had

been shaved with a razor. They were first used in making mattresses, batting, high explosives (nitrocellulose), and so forth. To-day they are used to make the finish and tops for our automobiles, substitutes for leather, brushes, combs, and mirrors, camera films (including our movies), casings for sausages, fine paper, collodion for skinned fingers, and so forth.

In 1929 the value of the by-products made from cottonseed reached the staggering total of \$298,376,039.

The whole story of the utilization of the by-products of our farms, even only up to now, would fill many books. The chemists and other scientists of the United States Department of Agriculture, the State colleges of agriculture and experiment stations, and other institutions are working with intense interest to develop new products from our agricultural by-products. They have already found many things, but for many of them the economic place has not yet been found.

The department administers approximately 50 regulatory statutes. The most important are the animal quarantine laws, the meat inspection act, the virus serum toxin act, the packers and stockyards act, the 28-hour law, the renovated butter act, the plant quarantine act, the food and drugs act, the tea importation act, the import milk act, the naval stores act, the caustic poison act, the insecticide and fungicide act, the seed importation act, the migratory bird treaty act, the Lacey Act (affecting wild life), the Alaska game law, the cotton standards act, the grain standards act, the Federal warehouse act, the cotton futures act, and the grain futures act.

Results of the research and other work done in the department must be communicated to the public or their value is largely lost. Research must have a mouthpiece. It can not be done well in closed compartments without facilities for communicating results to scientific workers everywhere and to farmers and the general public. Work done in the dark means duplication of effort and loss of the stimulus that discovery in one field should have on other investigations in other fields. Hence the department maintains various informational services, which include a cooperative extension service, bulletins, motion pictures and exhibits, press and radio services, weather forecasts, crop and market reports and outlook reports, periodicals, soil surveys, and correspondence with individuals.

I insert here a table which shows the total expenditures charged to the Department of Agriculture for the fiscal year 1931. The net cash withdrawal from the Treasury was \$296,865,945 and the checks outstanding on June 30, 1931, \$14,514,248. This made a total of \$311,380,193. Did this all go for agriculture?

Here are the true facts of expenditures of Department of Agriculture, fiscal year 1931. On basis of Budget statement No. 2, pages A32-A47 of Federal Budget for 1933:

		Per cent
1. Roads:		
Federal aid to States.....	\$158,322,940	
Forest roads and trails.....	18,831,020	
Mount Vernon Highway.....	3,392,959	
Total for roads, as above.....	180,546,919	57.98
2. Emergency drought loans.....	48,824,743	15.68
3. Payments to States:		
State experiment stations.....	4,340,000	
Extension work.....	8,650,229	
Forest-fire prevention, etc.....	3,434,033	
Total payments to States, as above....	16,424,262	5.28
4. Ordinary activities of department, including:		
(a) Some of the larger items clearly of general public interest, as follows:		
Weather Bureau (general).....	2,745,834	
Weather Bureau (for aviation).....	1,241,627	
Meat inspection.....	5,592,190	
Food and drug laws.....	1,614,666	
Forest Service.....	14,979,336	
Biological Survey.....	1,956,515	
Tuberculosis eradication.....	6,252,744	
Total, above items (11.04 per cent).....	34,382,912	

4. Ordinary activities of department, including—Continued.		Per cent
(b) Remainder (10.02 per cent).....	\$31,201,357	
	65,584,269	21.06
5. Total, Department of Agriculture, all purposes.....	311,380,193	100.00
Less checks issued but unpaid June 30, 1931.....	14,514,248	

6. Net cash withdrawal from Treasury..... 296,865,945
 Total expenditures of Federal Government, 1931 (net cash withdrawals from Treasury), including payments from postal revenues, \$4,877,315,309.

Relation of Department of Agriculture expenditures to total expenditures of Government

	Per cent
All purposes, on the basis of net cash withdrawal (\$296,865,945).....	6.09
Deduct roads and drought loans, leaving \$82,008,531, or.....	1.68
Deduct roads, drought loans, and payments to States, leaving \$65,584,269, or.....	1.34
Deduct roads, drought loans, payments to States, and certain of the larger items of general public interest, as listed above, leaving remainder of \$31,201,357, or.....	.64

Other departments of the Government are comparable to the Agriculture and Commerce Departments. The services rendered to the American people are of inestimable value. The Employment Service of the Department of Labor, the Children's Bureau of the same department; the Postal Service; antitrust work of the Federal Trade Commission; the Federal Board for Vocational Education; and dozens of others. Many bureaus and divisions of departments are self-supporting or partially self-supporting through fee and other collections. For example:

The Naturalization Service of the Labor Department expended only \$1,156,970 in the fiscal year 1931, while its receipts were \$3,086,175.

The Immigration Service of the Labor Department, with an appropriation of \$9,562,085, received \$2,657,391. Due to immigration legislation in recent years, receipts have fallen off very considerably.

In the Treasury Department, the office of the Comptroller of the Currency turns into the Treasury more than \$1,500,000 a year over and above its expenses. Of course, those divisions concerned with the collection of the national revenue, the Customs Bureau, and Internal Revenue Bureau may be regarded as much more than self-supporting. The Bureau of the Mint had a profit on coinage in 1931 amounting to \$1,550,831, while total expenditures were only \$1,491,350.

The total Government receipts by departments (except trust fund and postal receipts) were as follows for 1931:

Legislative establishment.....	\$1,233,568.98
Executive Office and independent establishments.....	33,494,018.13
Department of Agriculture.....	12,476,268.86
Department of Commerce.....	7,145,359.73
Department of the Interior.....	13,839,681.80
Department of Justice.....	6,608,737.00
Department of Labor.....	6,148,001.57
Navy Department.....	5,702,824.53
Post Office Department.....	18,879.11
State Department.....	4,232,609.21
Treasury Department.....	3,058,096,002.36
War Department.....	41,758,315.80
District of Columbia.....	68,977.27
Total.....	3,190,873,244.35

While I realize that now is the time when Congress must enact such legislation as to curtail all unnecessary Government expenses, I believe that particular care should be taken in order that such divisions of Government that the country is so dependent upon for aid and assistance should not be curtailed to such an extent as would make them valueless to the citizens of the United States.

LEGISLATIVE APPROPRIATION BILL

Mr. BYRNS. Mr. Speaker, the committee of conference on the legislative appropriation bill is in session, and they expect to have a report ready, at least in part, to-day, and I ask unanimous consent that they may have until 12 o'clock to-night to file that report.

The SPEAKER. Is there objection to the request of the gentleman from Tennessee?

Mr. RAMSEYER. Reserving the right to object, if the report is filed, is it the intention of the gentleman to call it up to-morrow?

Mr. BYRNS. I presume that the gentleman from Louisiana [Mr. SANDLIN] will call it up. The gentleman from Iowa understands that in all likelihood it will have to go back to conference on the economy amendment.

Mr. BRIGGS. Have the conferees agreed?

Mr. BYRNS. They have gone into conference.

Mr. BRIGGS. On legislative matters other than the economy program?

Mr. BYRNS. Yes.

The SPEAKER. Is there objection to the request of the gentleman from Tennessee?

There was no objection.

EXTENSION OF REMARKS

Mr. COLLINS. Mr. Speaker, I ask unanimous consent to extend my remarks in the RECORD by inserting therein an article on military appropriations.

The SPEAKER. Is there objection?

Mr. SNELL. Mr. Speaker, are these the gentleman's own remarks?

Mr. COLLINS. No; it is an article which I think is a very valuable document.

Mr. SNELL. Mr. Speaker, I object.

PATRONAGE

Mr. McFADDEN. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD upon the subject of patronage and other matters.

The SPEAKER. Is there objection?

There was no objection.

Mr. McFADDEN. Mr. Speaker, under leave to extend my remarks in the RECORD, I include an exchange of letters between the senior Senator from Pennsylvania, Hon. DAVID A. REED, and myself, relative to patronage, as follows:

CONGRESS OF THE UNITED STATES,
 HOUSE OF REPRESENTATIVES,
 Washington, D. C., June 6, 1932.

Hon. DAVID A. REED,

United States Senate, Washington, D. C.

MY DEAR SENATOR REED: On December 18, last, you were quoted in the New York Times as having notified Postmaster General Brown that "from now on you and Senator DAVIS would handle post-office patronage in the fifteenth Pennsylvania district, which Mr. McFADDEN represents." That paper further quoted you as saying, "Mr. Brown was told by Senator REED that in the future, so far as Mr. McFADDEN's recommendations for post-office appointments were concerned the Postmaster General would simply consider that the recalcitrant Representative had died." You are also quoted as announcing that you would do "everything within your power in the next primary election to defeat Mr. McFADDEN for renomination."

The Philadelphia Public Ledger of the same date quotes you in practically the same language, saying, "McFADDEN will be treated as if he were dead. Party is expected to drop him in 1932." To quote further from this article, it says, "The decision was made after Senators REED and DAVIS conferred with Postmaster General Brown."

Because of these articles I addressed a letter under date of December 21, 1931, to Hon. Walter F. Brown, Postmaster General, Post Office Department, Washington, D. C., reading as follows:

DECEMBER 21, 1931.

Hon. WALTER F. BROWN,

*Postmaster General, Post Office Department,
 Washington, D. C.*

MY DEAR MR. BROWN: By the press I am informed that the two Senators from Pennsylvania have arranged with you in regard to all matters pertaining to postal affairs from this date on in the fifteenth congressional district of Pennsylvania; that they will in the future be handled with your concurrence by Senators DAVID AIKEN REED and JAMES J. DAVIS, and that so far as this particular district is concerned in matters pertaining to your department the Congressman will have no opportunity to confer with you nor to make recommendations for the appointments under civil-service regulations of postmasters or rural carriers.

As I have pending before me now several appointments of postmasters and other postal department matters, I am asking you for definite and immediate advice as to the future conduct of the Post Office Department relative to postal matters in the fifteenth congressional district of which I am the elected Representative in Congress. I am asking you this in order that I may advise my constituents properly.

Your immediate reply will be expected.

Very truly yours,

L. T. McFADDEN.

Under date of December 22, the Postmaster General, Walter F. Brown, replied as follows:

DECEMBER 22, 1931.

HON. LOUIS T. McFADDEN,
House of Representatives.

MY DEAR MR. CONGRESSMAN: Acknowledgment is made of the receipt of your letter of the 21st instant inquiring how the Post Office Department will deal with postal matters arising in the fifteenth Pennsylvania district, which you represent in the present Congress.

Apparently you are under a misapprehension with respect to the relation of Congressmen to postal administration. Legally, Representatives in Congress have no responsibility or voice in the selection of personnel in the post office or other executive departments. Because most of the Post Office Department's major activities are in the field, frequently remote from the post of duty of departmental heads, it has been the practice of the department to invite the advice in matters relating to local personnel, and in limited cases relating to local policies, of Congressmen in whose capacity and desire to be of service the department has confidence. Both Republican and Democratic administrations have followed this practice for many decades with undoubted benefits accruing to the service.

As the views which you expressed in the House of Representatives on the 15th instant, as set forth on pages 571 and 572 of the CONGRESSIONAL RECORD, volume 75, convince me that your advice will not be helpful to the department, the heads of the several post-office bureaus have been directed from and after the date mentioned neither to invite nor to follow suggestions from you.

Very truly yours,

WALTER F. BROWN.

Since then I have had no contact directly with the Post Office Department or any of its divisions on matters in which my constituents of the fifteenth congressional district were interested. Indirectly, without specific notice from you, I was informed that you and Senator Davis were handling all post-office matters in the fifteenth congressional district.

On February 22 I announced my candidacy for the Republican nomination in the fifteenth congressional district. My chief opponent was Cornelia Bryce Pinchot, wife of the present Governor of Pennsylvania. The basis of her candidacy, as announced by her, was my speech of December 15, 1931, and my record as the Representative of the district for the past 17 years in the House of Representatives. I accepted the challenge, and sent into the district approximately 60,000 copies of my speech delivered in the House of Representatives on December 15, 1931. This speech is apparently the basis which prompted your action in depriving the people of the fifteenth congressional district of their right to do business with the Post Office Department through their legally elected Representative in the House of Representatives. I attribute my nomination to a large extent to the distribution of this speech and of my speech of January 13, 1932, against the Reconstruction Finance Corporation, together with my speeches throughout the district against the international financial group's exploitation of American investors out of several billion dollars, including the sale in this country of \$100,000,000 worth of German reparation bonds.

At the April 26 primaries, I was not only renominated on the Republican ticket, but on the Democratic and Prohibition tickets as well. This is equivalent to election. I contend that the people of the fifteenth congressional district are entitled to representation before the Post Office Department, of which they are now deprived through their chosen Representative in Congress. In this connection, I would like to call your attention to the resolution that was passed by the Pennsylvania Republican Delegation in Congress at a meeting held on December 9, 1930, and approved by Senator Davis and yourself, when the question of congressional patronage was raised. The resolution is as follows:

"Whereas it has for many years been the custom in our State for Members of Congress to make the selection of postmasters in their respective districts, except in the districts where the United States Senators reside; Therefore be it

"Resolved, That it is the sense of the Pennsylvania delegation in Congress that this time-honored custom should be continued."

Because of the fact that your action of December 17, as reported in the Philadelphia Ledger and the New York Times of the following day, has deprived the fifteenth congressional district of their rights heretofore accorded through their duly elected Representative, that of consulting with the Post Office Department and its various bureaus in regard to matters affecting the district, as well as the right to recommend the appointment of postmasters, and that you and Senator Davis have assumed these full prerogatives yourselves, I am calling your attention to the fact that this action violated the resolution which was to govern patronage matters in each congressional district in Pennsylvania, wherein you and Senator Davis agreed with the Pennsylvania Republican delegation that you would approve as a matter of course their recommendations, and that you would consider the appointment of postmasters as the patronage of the Congressman in each district. Because of this I called the attention of the delegation to these facts at a meeting of the Pennsylvania delegation held recently, where the matter was thoroughly discussed.

Inasmuch as your action was predicated on my speech of December 15, 1931, which was also used as the basis of the action by the Postmaster General, I desire to point out that in delivering this speech I was entirely within my constitutional rights, and your action is an attempted interference with my rights as a

Member of the House of Representatives and quite in contrast with what Voltaire said, "I do not believe in a word that you say, but I will defend with my life, if need be, your right to say it." The subject matter under consideration in the House of Representatives at that time was the Hoover moratorium. One of our fundamental constitutional privileges is that the management of the finances and appropriations of the Government belongs exclusively to Congress, and the constitutional method of getting the expression of Congress is "in Congress assembled," not by the private expression of opinion by the individual Members of Congress instead of collectively. This successful attempt on the part of the Executive to secure an expression of opinion from Members of Congress individually instead of collectively is a constitutional violation, because the Constitution says with reference to the legislative body "in Congress assembled," and there is a long series of decisions of our courts dealing with administrative boards that contracts are only valid when entered into by the boards regularly assembled and actively functioning as such, not simply by personal agreements with majorities of the members of the boards. This is the only way in which intrigue and secret negotiations can be prevented in the administration of public business, and I do not think that anyone will say that a government is not a public business.

Furthermore, in asking for action by Congress there ought to have been laid down before Congress as a whole, or, in case the documents were of such a confidential character that it was not advisable to make their contents public in the public interest, there ought to have been laid down before a private committee in confidence all of the documents and communications passing between the respective governments and the confidential reports of the ambassadors, ministers, or consuls upon the economic conditions of their respective countries. None of these things were done in this particular case. A perusal of the debate in the House will show conclusively that Congress was requested to pass the measure upon the mere say so of the executive department with all of the diplomatic evidence withheld from its consideration. The guarantee previously given by the Members of Congress to the Executive at his solicitation without a disclosure of the full facts would tend to indicate a confident determination and assurance on the part of the Executive in further refusing to disclose the diplomatic evidence in his possession in connection with the negotiations leading up to the moratorium.

I desire to call your attention to another fundamental principle of our constitutional system of government; that is, by having each of the three departments of the Government independent of each other and in a position to fully analyze the policies and principles of the other departments, we would tend to eliminate the essence of tyranny and keep the general functions of our Government in harmony with the Democratic principles upon which it was founded. That being true it was the intention of our constitutional founders—that this intention has steadily developed in practice—that the legislative branch of the Government should not only have the right to criticize the Executive, but, in fact, that it was the supreme duty of the legislative representatives so to do, and in order to secure the full exercise of his functions in that respect, the law makes him exempt from being called upon to answer in any court for any statement made in the faithful performance of his legislative functions upon the floor of the House. Not only that, but the House of Representatives through its Members has the right to impeach the Executive and bring him before the bar of its coordinate legislative body to answer for any acts which in the opinion of the legislative body are not in harmony with the general interests of the people; while the general phraseology of most impeachment allegations is "high crimes and misdemeanors," yet no legal authority has ever accurately defined what those are, and in fact there is no rule of measurement of the causes for which the legislative branch may see fit to remove the Chief Executive other than the conscience and discretion of the legislative body itself acting through the majority of its Members.

In this connection it is noteworthy that there is no power of impeachment or disciplinary control on the part of the Executive over the Members of the legislative bodies whatsoever. In fact, in the progress and development of the constitutional basis of Democratic government the tendency is to increase the power and authority of the lower House as being directly representative of the will of the people and to decrease the power and authority of the Executive exercised in opposition to the will of the lower parliamentary body. Notwithstanding this constitutional principle, the action which has been taken in this case seems to assume an attitude to the general effect that the Executive has a divine right of arbitrary power and judgment, and that when the Executive determines one idea and policy, no matter how unsound the ideas of the Executive may be, the Executive ipso facto must be right, and if the legislative body or any Member thereof disagrees with him, that the legislator or the legislative body must automatically be wrong.

Your announcement from the White House that I would be deprived of post-office patronage indicates the approval of the Executive and your unqualified right to speak as the leader of the Republican Party in general and Pennsylvania in particular. In this connection I desire to point out the fallacy of the assumption that the President is the titular party leader of the administration in power and exercises his functions in that respect similar to the Prime Minister in England, and that anyone disagreeing with the ideas and disobeying the wishes of the President must therefore be guilty of party treachery. Such an opinion is neither well founded in fact nor in accordance with the well-defined principles of politi-

cal polity in this country. The President is neither a member of the national committee nor is he a member of, nor eligible to membership in, the party caucus of the legislative body. He has no legislative function whatsoever except such as may be implied from his power of veto, which is simply an aid to the executive function.

Possibly there is no better illustration of the reason why the President should not be a party leader in the strict sense of the term than the present Executive. He never served in the ranks of any political party. He never was elected to office at any time until he was elected to the office of President through the aid and machinery of the Republican Party.

Members of the House of Representatives are elected directly by the voters of their respective districts without any distinction as to party leadership or affiliations except so far as the same may apply in a persuasive manner to the discretion of the individual voter. Consequently a Member of the House of Representatives is directly responsible to his constituents and not to the President or Senator of his State or even to the party, and, therefore, the criterion of his actions is simply whether or not the Member is serving the interests of his constituents rather than the interests of the party and of the President.

As you were not only reported to have announced the assumed prerogatives of the President but to have presumed to speak for the Republican Party as regards my renomination and election, it is worthy of consideration to call your attention to the fact that it is the duty of the party to serve the people and certainly it is the duty of the President to serve the people and not attempt to coerce a representative of the people to serve him or the special policies or interests which he may desire to support.

The duty of a Congressman under our Constitution is to his constituents who sent him here to represent their interests. How can we say that we have a representative government if the men that we elect to the parliamentary offices of the Nation are simply to be rubber stamps for the Executive and the men who put the campaign contributions into the party chests? Such a form of government is purely an oligarchy and not a democracy. I would point out to you that this was the situation which prevailed in England at the time of George III against which the American Colonists rebelled because all of the parliamentary positions were filled by place hunters of the party in power and the real representatives of the English people were unable to have their voices heard. The same situation continued largely in England until the electoral reform bills of 1832. Since that time England has developed as a representative parliamentary government. Unfortunately since 1898 our Government here in the United States seems to be going in the opposite direction, and in conformity with this, in this particular instance, the President through the appointive prerogatives of his office, authorizes you to make it known through party disciplinary circles that any person that does not obey the orders of the Executive and the party leaders will be deprived of all power and influence in the matter of patronage involving their respective districts. Needless to say, this is bribery of the worst character; and if the electorate of the various States and districts are not going to be aroused up to a state of national patriotism so that they will demand that the persons whom they elect to the parliamentary body shall obey their mandates instead of the mandates of somebody else, it is simply going to mean that the Representatives are going to be more severely handicapped in the future than they have been in the past.

So pertinent are the lines of George S. Holmes that I can not refrain from quoting them:

"When conquering Cæsars, flushed with pilfered pelf,
Would placate plebes, for love of show and self,
They showered gold from gilded equipage,
As we do now—but call it patronage.

"When feudal barons, home from raiding ride,
Would scatter largesse thru the countryside,
They shared the booty from their brigandage,
As we do now—in party patronage.

"In modern politics or war's tumults,
Still to the victor must belong the spoils;
What is the difference, any place or age,
If it be plunder—or just patronage?"

In this particular case you started in motion the party machinery to punish and handicap a Representative of the House of Representatives who was acting within his rights as a Member of the House under his oath of office. As that Representative's statement did not agree with your own views you arranged that the full force of party machinery and elements of intimidation were brought into being in an attempt to discipline that Member through the control of the patronage of the Executive. It is time to bring the abuse of this system prominently to the attention of the public so that the public may be induced to abolish this obnoxious practice.

It has become quite the common autocratic practice of late for officials in administrative departments when any criticism is leveled at any of their acts, instead of attempting to answer the criticism, to immediately make a counterattack upon the integrity of the accuser, be he a legislator or some other person, for the purpose of discrediting his action in the eyes of the legislative bodies or the public, and thus avoid a disclosure of that which had been pointed out as improper, and in the operation of this practice, the Secret Service is always made available to these department heads.

As an instance of this, I point to the action of the former Secretary of the Treasury, A. W. Mellon, when Senator JAMES COUZENS, of Michigan, began an investigation of fraudulent tax settlements of the Income Tax Bureau in the United States Treasury. Immediately the Secretary retaliated by bringing an action against Senator COUZENS personally on a tax settlement which had been closed several years before. This action served its purpose. Senator COUZENS was put to great expense and trouble and finally defeated the action, but it resulted in his stopping the investigation of the tax matter, and it was never completed.

As a further instance of this same practice I would cite the present investigation by the Senate Banking and Currency Committee of the New York Stock Exchange, where the same tactics are being pursued, which is evidenced by their dastardly attack upon the integrity and standing of the chairman of that committee for the sole purpose of intimidating him against any further investigation of the shady dealings of the New York Stock Exchange. In fact, I understand that the stock exchange authorities have investigated practically every member of the committee to see if somewhere in their career a skeleton can not be found so that the members of this committee will be intimidated against further proceedings in this investigation. This is a practice that has been growing in the Government and in circles where influence and power predominate, and is a natural sequence that follows greed and the fight for power and more power in an individual capacity, in political capacities, in corporate capacities, and can but savor of dictatorship. Such practices as these can not be too strongly condemned as unprincipled, and if persisted in will further weaken and undermine our present form of government by destroying the people's confidence in law and order through constitutional government. In this connection, I would call your attention to a proclamation of the Council and House of Representatives of Massachusetts Bay, issued by John Adams in 1774, and which was sent to all town meetings in the Commonwealth, as follows:

"As the happiness of the people is the sole end of government so the consent of the people is the only foundation for it, in reason, morality, and the natural fitness of things. And, therefore, every act of government, every exercise of sovereignty against or without the consent of the people is injustice, usurpation, and tyranny. * * * The supreme power resides always in the body of the people; and it never was, or can be, delegated to one man or a few; the great Creator has never given to men a right to vest others with authority over them unlimited either in duration or degree."

A former Republican Senator of the United States stated on February 27, 1911:

"The manner in which Federal patronage shall be used is of the greatest concern not to the Members of Congress but to the people of the United States, whose Government this is. I would call your attention to the fact that Senators and Representatives come and go. It is of comparatively little importance whether any one of us shall be here a few years hence. Individuals are of little consequence. But fundamental principles of justice and equality under law are of utmost importance. Disregard and defiance of law is the beginning of anarchy, and the law-respecting, liberty-loving people of this country will not tolerate it.

"Our Government was founded upon the proposition that all men are equal before the law, civil or criminal. I would have as much respect for a common ward heeler who buys votes at the polls as for a President of the United States who uses his appointing power as a means of forcing or persuading Members of Congress to determine or change their course of action. One transaction is as dishonest, as corrupt, and as depraving as the other, but the latter is more dangerous, more insidious, more pernicious than the former, because it strikes at the very foundation of free institutions, sets a precedent for corrupt methods in all official life, and marks the beginning of dictatorship and decadence of the Nation.

"It is interesting to note that the truth of the charge of corruption in high places as well as low has been established not so much by external proof as by the confessions of parties thereto. The purchase of votes in the Illinois Legislature was not proven by testimony of outside parties, but by confessions of bribe givers and bribe takers. In Ohio, where thousands of voters have been punished for selling their votes and where punishment of vote buyers will doubtless follow in due time, convictions have been based almost entirely upon confessions, and the same is true with regard to the charge of purchase of votes in Congress through distribution of patronage. The charge was practically unproven, whatever the general understanding may have been, until the issuance of the famous Beverly letter, in which, if authentic, it is confessed that the President had given the privilege of controlling patronage to those Members of Congress who voted upon legislation in accordance with his wishes and has withheld it from those who did not.

"Any interference * * * with the free expression of the opinions of Members of Congress by their votes upon measures is a direct attack upon the section of the Constitution which declares that 'all legislative powers herein granted shall be vested in the Congress, which shall consist of a Senate and House of Representatives.' This quotation is part of that Constitution which every President of the United States has taken an oath to 'preserve, protect, and defend.' No President can interfere with the exercise of legislative power by Congress without violating his oath of office, a violation as direct and as complete as any other unlawful act by any other officer of the Government.

"To bribe a Member of Congress by means of Federal patronage is not different in principle from bribery by means of cash or other valuable consideration. Intimidation by threats of loss of prestige incident to withdrawal of patronage is not different in principle from intimidation by threats of violence or business injury. But this species of bribery and intimidation is more vicious than any other, because it assumes a character of gentility, due to the patriotic reverence for the office of President not enjoyed by the common ward heeler when he indulges in similar practices. It is too base to be called a crime. It is so far below the conception of law makers that no statute has been enacted directly prohibiting it. Nothing in our Constitution or laws expressly prohibits the President from trading Federal appointments for votes in Congress. The special-privilege seeker trying to influence legislation by offers of reward to Members of Congress must be fined or imprisoned. The possible corruption of Congress through the misuse of the presidential nominating power was never contemplated by the framers of the Constitution nor national legislators. It would, indeed, be a most humiliating admission of the weakness of representative government if disclosures necessitate legislative action to prevent a repetition of such an evil."

The widespread interest of the public is proving that the people of the entire country are awakening to conditions that exist and are determined to improve their system of government, not necessarily by changing the present form of government but by making their Representatives solely accountable to the people and by giving assurances to public servants in return that demonstration of good service on their part rather than subservience to a political boss, temporary leader, or special interest, insures election or retention. The onward sweep of the movement for the full measure of human liberty can not long be stayed.

The purpose of this letter is to ask you whether it is your intention to continue to pass upon all postal and departmental matters before the Post Office Department pertaining to the fifteenth congressional district of Pennsylvania, which, of course, includes the recommendation for appointment of postmasters and other routine matters pertaining to post-office business in which my constituents of the fifteenth congressional district are interested. I want to say to you that if it is, you are acting contrary to the wishes of the people of this congressional district, who resent your unjustified interference in this instance, which is contrary to all precedents.

Awaiting your reply, I remain, yours very truly,

L. T. McFADDEN.

UNITED STATES SENATE,
COMMITTEE ON MILITARY AFFAIRS,
June 7, 1932.

HON. LOUIS T. McFADDEN,

House of Representatives, Washington, D. C.

DEAR MR. McFADDEN: Replying to your letter of June 6, you are quite correct in saying that you were wholly within your rights in uttering the beliefs that you hold regarding President Hoover, as you did in your speech in the House of Representatives on December 15 last, although I personally can not understand how you or any other sane man could hold such preposterous beliefs.

Under the custom observed for many decades in matters of post-office appointments the President does not follow the recommendations of Democrats or other political adversaries. So long as you choose to put yourself in that class, I can not ask him to respect your requests, and if I were to ask him he would doubtless refuse.

Very truly yours,

D. A. REED.

HOURLY MEETING TO-MORROW

Mr. RAINEY. Mr. Speaker, in order that we may get through with this bill to-morrow, and with several rules, I ask unanimous consent that when the House adjourns to-day it adjourn to meet at 11 o'clock to-morrow.

The SPEAKER. Is there objection?

There was no objection.

DISPENSING WITH CALENDAR WEDNESDAY BUSINESS

Mr. RAINEY. Mr. Speaker, I ask unanimous consent that business in order on Calendar Wednesday, next week, be dispensed with, and that it shall be in order on that day to call bills on the Private Calendar unobjected to, under the old rule, beginning at the last starred bill.

The SPEAKER. Is there objection?

Mr. CONNERY. Mr. Speaker, I reserve the right to object. I dislike to object, but I know that when I was here last week, or the week before, we lost our Calendar Wednesday. I do not see the gentleman from New York here; I shall be forced to object.

Mr. RAINEY. Mr. Speaker, I move to dispense with business in order on Calendar Wednesday next week.

The SPEAKER. The question is on the motion of the gentleman from Illinois to dispense with business in order on Calendar Wednesday next week.

The question was taken; and two-thirds having voted in favor thereof, the motion was agreed to.

Mr. RAINEY. Mr. Speaker, I ask unanimous consent that on Wednesday of next week it be in order to consider bills on the Private Calendar unobjected to, under the old rule, commencing where we left off last.

The SPEAKER. Is there objection?

There was no objection.

ECONOMIC DISTRESS IN A LAND OF PLENTY

Mr. McSWAIN. Mr. Speaker, I ask unanimous consent to extend my own remarks in the Record upon the economic conditions confronting the country.

The SPEAKER. Is there objection?

There was no objection.

Mr. McSWAIN. Mr. Speaker, I need not state what everybody knows, that American business is sick. The blood stream is stagnant. The heartbeats are weak and faint. It is no time for ordinary and usual methods. Something heroic and fundamental must be done. We must startle the thinking of the whole people into new directions. We must send out a rallying call of confidence. We must convince the people that America and American institutions are safe and sound. We must prove that our democracy is capable of handling any crisis. We must show that our constitutional system not only permits but authorizes any proper measure for self-preservation. We have the power; and if we only had the combination of knowledge, courage, and bold leadership, within less than 60 days American business would be improving, American factories would be running, American banks would stop failing, American merchants would begin to prosper, American farmers would begin to see how they could pay interest and taxes, and American wage earners could find jobs at fair wages.

But, Mr. Speaker, it takes concerted and united leadership to do this. There is abundant information, here and there, of what ought to be done, but this information has not yet been coordinated, and common counsels taken, and united plans formulated as between executive and legislative branches of the Government. We are not obliged to have a Mussolini in America. It is not necessary that we should set up something like the War Industries Board. We can function under our existing machinery, if we will. But, if we do not, then I say in all seriousness that some individual with larger powers than any person now possesses, other than the President, should be clothed with authority over our transportation system, and thus with indirect authority over our industrial system, to bring about a coordination of activities and thus to overcome the paralysis which is destroying the life of America.

I regret to say that there seems to be a total and woeful lack of adequate leadership in the White House. I speak with great personal respect for the President. I would not unnecessarily add one ounce of additional weight to his great burden. But from the day that he entered the White House and called Congress into extra session, in order to revise upwards a Republican tariff then on the tax books, and permitted his party to raise tariff duties to the point of prohibition, and thus to destroy American foreign trade, and thus to make it impossible for us to sell our surplus cotton and wheat in foreign lands—from that day to this day the President has been blundering and staggering and stumbling from one mistake to another until he has about completed the wrecking of our whole business structure.

Following the insane and suicidal increase of the tariff duties, and on its very heels and as a part of the same general scheme, there developed the great bull market for stocks on the New York Stock Exchange. It soon grew into the greatest delirium of frenzied finance in the history of the whole world. Not hundreds of millions but billions and billions of money were drawn from every quarter of the Nation into that whirlpool of insane speculation. While this orgy of crooked, if not corrupt, speculation was at its height, far-seeing and shrewd and selfish international bankers in New York City unloaded upon a trusting and credulous American public, not hundreds of millions but literally billions and billions of dollars of foreign industrial securities and of foreign government bonds which are to-day practically worthless.

Mr. Speaker, it is no answer for the President and for his administration to say that they are in no way responsible for that wild and wicked period of speculation. Even Mr. Mellon looked down with what the public thought was a smile of benediction upon what he pretended to believe was the evidence of the strength and the permanency of Republican prosperity. Also the President benignly and cheerfully seemed to regard that era of false values and of foolish gambling as the fulfillment of his campaign prediction that Republican policies would abolish poverty from America and would put a chicken in every pot, an automobile into every garage, and prosperity into every pocket in America.

Then, Mr. Speaker, when the craze and delirium of insane speculation had gone many times beyond the limit of danger, and when finally, on October 29, 1929, the market broke and the panic commenced and the rout started and pandemonium broke forth among the brokers and bankers of New York City, then the President and Mr. Mellon stood speechless and helpless as their frail house of cards fell crashing and crumbling about them. Since then Mr. Mellon, formerly proclaimed by many of his admirers as the greatest Secretary of the Treasury since Alexander Hamilton, has resigned his portfolio and retreated to the calm and peaceful precincts of the American Embassy in London. From that cool retreat he can send out his colorless utterances, formerly regarded as an oracle of wisdom and no longer seriously heeded. Several universities have conferred upon Mr. Mellon the degree of "doctor of laws." Of course, these universities ought to have a degree called "doctor of dollars." The presidents of these universities in conferring these degrees upon Mr. Mellon must have kept their tongues stuck into their cheeks as they passed out a sheepskin proclaiming him so learned and so profound as to be publicly proclaimed a wise man in all fields of learning. The conferring of such degrees under such circumstances actually discredits them. They ought to have another degree called "D. G. M.," signifying "do give money."

But Mr. Hoover could not get away. He is obliged to stick to his job and try to manipulate the postmasters and United States attorneys and United States marshals, appointed by him all over the Nation, so as to insure his renomination. Surely he does not hope for reelection, and he would not feel the hurt of defeat at the election in November. But he would feel disgraced if his party did not renominate him in Chicago. Hence all the little postmasters and other Federal appointees in every section of the country, and especially in the South, have been lined up for the last year in the solid ranks of Hoover delegates, pledged to put him over once more as the leader who can not lead, as the doctor who has no medicine, as the engineer who has no plans, as the financier who wrecks his own bank, as the miracle man who works a magic of destruction in less than one year of administration which is unparalleled for woe and misery and failure in all the history of the Nation.

STOP GAMBLING IN PEOPLE'S PROPERTY

Every fair and thoughtful person must admit that the people of America will never be able to pay their debts, including the Government's debts, aggregating about \$150,000,000,000, unless the prices of commodities, and especially of farm commodities, are increased. This result can be brought about not by waiting for the slow processes of nature and of starvation to exhaust the present stores of cotton and grain and other supplies which labor has built up. Organized society, by the direct and conscious control of money as the medium of exchange, and as the measure of value, can plan and deliberately bring about the rise in such prices. Humanity, if it will think and cooperate, is not damned to endure these successive cycles of suffering, sorrow, and suicide, but they may be averted by thoughtful governmental action. To stabilize prices at the present level would be criminal. Prices must be raised to the average level of 1922 to 1929 and then there must be stabilization. The statistics show that the price level from 1922 to 1929 registers about 100 on the index table of 550 wholesale commodities.

Stabilization is essential to civilization. These successive and certain fluctuations in prices constitute the gambler's heaven. If prices are stabilized, then the last reasonable pretext for the perpetuation of stock exchanges and produce exchanges will cease. It is claimed that under present conditions manufacturers and dealers must be able to hedge against future fluctuations in prices. After stabilization of prices there will be no such certain fluctuations, and, therefore, the only excuse for the exchanges will be removed. The revelations now being made by operators on the New York Stock Exchange convince even the partisans of short selling that the American public has been terribly imposed upon by the big monopolists in New York. They have brought about corners; they have staged conditions; they have rigged and fixed the market; they have created false demands and false supplies, and have fleeced the credulous public on both sides. When the prices were rising they sold to the public their worthless securities. When the prices were falling they bought from the public the securities they knew to be valuable. They have bled white the public under both states of speculation, and yet some of the public still cling to the idea of preserving these huge gambling institutions.

We abolished the Louisiana lottery because it was a gambling game. All the States have laws against most forms of gambling. But when poor and ignorant people gather around a table and throw their dice or play their cards for stakes, whether large or small, nobody is hurt but the losing gambler. But when the dice and cards are replaced by the cotton produced by the labor of millions of our people, by the corn and wheat and meat and mineral products and lumber products brought into marketable shape by man's labor, then the gamblers are playing with the very lifeblood of the people themselves.

To send an ignorant negro to the chain gang for gambling with dice behind the barn when the stakes are only 10 or 15 cents, and to legalize and to tolerate the gambling of the Wall Street speculators, who are dealing with the labor and the fruits of the labor of the masses of the people of this Nation is unconscionable, unjustifiable; and the American people will not much longer endure the injustice. The thing to do is to put them all in the same class and to measure the professional gambler and racketeer by the same yardstick that we should, and must, and will apply to the speculator in the products of human toil.

These international investment bankers have sold billions of worthless stocks and of worthless foreign bonds to the American public. On these transactions they made their enormous commissions. They sucked into the whirlpool of New York speculation about \$7,000,000,000 belonging to the American people. When their own bubble burst through excessive inflation they came running to Congress demanding that Congress set up the Reconstruction Finance Corporation to save them from their own folly. They virtually sandbagged Congress into passing this Reconstruction Finance Corporation law by threatening to commit financial and economic sabotage unless we did pass it. They told us that the insurance companies would collapse, and the railroads would stop running their trains, and the banks would close, and the whole country would be paralyzed unless we did their bidding.

Now that they have got their \$2,000,000,000 corporation for their own accommodation they say, "Let the public be damned, and let the people whistle for bread until it suits our good pleasure to put them back to work at our own prices." These same interests and many of these same individuals were not satisfied with the highest Republican tariff ever enacted into law up to 1922, and came before Congress, controlled by the Republican majority, and doped that majority with a double dose of lies and made it believe that American industry could not continue to operate under the rates of the 1922 tariff and that the same must be raised.

My office is just across the hall from the Ways and Means Committee room, and for about six months the room was not large enough to hold the representatives of big business,

and it overflowed into the hallway; and as I labored my way through the crowds in the hallway, I caught their arguments in favor of boosting the tariff, in some cases, 500 per cent. That tariff revision helped to bring on the "bull market," which completed the ruin of business.

BIG GAMBLERS ARE PUBLIC ENEMIES

Speculation is the curse of American business. It brings "Black Fridays," panics, depressions, stagnation, bankruptcies, blasted hopes, blighted lives, and suicides. The only hope for steady stabilized prosperity is to stop speculation. Speculators can not live where prices are reasonably uniform. Sudden fluctuation up or down is the speculator's heaven. Speculation adds no value. It creates no cotton, or corn, or wheat, or meat, or steel, or lumber, or anything. It toys and trifles with wealth created by the labor of others. In a certain sense all buying and selling is speculative. But I mean mere marginal, optional purchases, with no intention to take and use the property. Such professional speculator merely intends to reap an unearned profit by the rise or fall in values, and thus he hopes to gain by the misfortunes either of those whose labor produced the commodity speculated in or the misfortunes of the consumers whose labor must buy these things. Thus the professional speculator is the economic enemy of both the producer and consumer.

The marginal optional speculator is a mere gambler. But his gambling is a thousand times worse than the gambling with cards, dice, horse racing, cockfighting, or roulette wheels. A few negroes throwing dice harm no one but themselves. So it is with poker players and those who visit the little Monte Carlos all over the country. There is some mental exhilaration in watching a horse race or chicken fight. Betting on the result is bad, but merely personal. So with betting on football and baseball games. It is personally demoralizing but is not an economic ill. It does not hurt nor destroy business. But professional marginal speculation in the things that men and women and children must have to eat and wear and use in their work and homes and schools hurts and harms the whole social and economic life. Such speculation demoralizes, deranges, and distracts the normal business life of millions of honest, patriotic, God-fearing toilers in field and shop, in factory and store, on trains and trucks, in homes and schools, in lodges and churches.

Why do we tolerate that which creates nothing but calamity, brings nothing but bankruptcies, helps nothing but home wrecking, serves nothing but suicide, deals nothing but death?

MELLON NOT A PROPHET BUT A PROFITEER

I notice that Mr. Mellon, now our ambassador to the British Government, in his introductory speech to the British people, refers to the stagnant condition of business affairs throughout the world and including especially the United States, and says that business activity rises and falls in "cycles"; and from his remarks, as well as from his previous record in office and in private life, one is forced to conclude that he accepts these "cycles" as inevitable. He has never suggested any remedy whereby to prevent the excess of speculation constituting the peak of so-called prosperity, and the very depth of disaster and calamity constituting the trough of depression. Therefore we are bound to conclude that Mr. Mellon thinks and believes that these successive periods of prosperity and of adversity, these cycles in business whereby at one time we are busy and contented and happy and at another time, and very shortly thereafter, we are unemployed and miserable, and oftentimes starving, are something that man can not prevent nor remedy. Evidently Mr. Mellon regards them as a fixed order of nature, as an inexorable and inevitable incident to civilization.

While Mr. Mellon has had a long and prosperous life, is one of the very wealthiest men in the whole world, and has for about 12 years held the position of Secretary of the Treasury, I do not believe that any fair student will assert that Mr. Mellon is great intellectually or spiritually. He has been a great money maker as an individual, and he has ad-

ministered the affairs of the Treasury with efficiency. But Mr. Mellon is not a great economist, he is not a great student of history, he has never indicated the slightest philosophic turn of mind, he has never shown any breadth of statesmanship, nor any vision of leadership. However, large numbers of our people have been disposed to attribute to Mr. Mellon something like superhuman vision and to feel that his approval is the last word in wisdom.

Mr. Mellon's attitude toward the financial and business world is purely that of a great business man. This means that his view is acutely and definitely individualistic. He studies problems from the point of view of how the individual can make money out of the situation. He has found by observation during his long life that the shrewd business man can make money during a period of prosperity as well as during a period of depression and general public disaster. He finds that the shrewd business man can sell his watered stocks to a credulous public during prosperity and unload a large part of the capital stock of business concerns on the masses of the people and yet retain a control of the corporation in the hands of a few individuals.

THE "CYCLE SYSTEM" IS THE "GAMBLER'S HEAVEN"

In the next place he has observed that, during a period of depression, those individuals and corporations that have the cash can buy property for much less than its actual value and sometimes for 10 or 20 per cent of what the property cost the stockholders during prosperity. This same physical property is held by the shrewd business individual, such as Mr. Mellon, until depression passes and good times return and then is capitalized at many times its cash cost to the new owners, and this same stock again sold to the credulous public.

In other words, according to the "cycle" theory of civilization advocated by Mr. Mellon, you pick the goose bare during hard times and then let some feathers grow, and in good times sell the feathers for more than the goose is worth, and then, when the "cycle" of calamity returns, you buy back goose, feathers and all, for many times less than what the feathers alone were sold for to the public. Naturally Mr. Mellon believes in this order of business, in this successive picking of the goose, and in this successive concentration of the fat of the land in the hands of the shrewd and grasping men for whom he is the spokesman.

With reference to these diseases of society, these afflictions of civilization, these economic disturbances, now called "cycles" by Mr. Mellon, his position is the same as that of many medical doctors hundreds of years ago. When the plagues visited the peoples of the earth and swept away human beings by the millions, most of the medical men said it was a visitation of Providence and could not be averted. So for a long time it was with smallpox, and most of the doctors believed that the successive "cycles" of smallpox infection would continue forever; and so it was with the almost annual and certainly the periodic coming of yellow fever. Most of the doctors did not understand it and therefore said it could not be helped. But a few medical men, with true scientific spirit and enough faith in Providence to believe that God does not intend that His children shall always suffer, tackled the problems of the plagues, assaulted the enemy of smallpox, charged upon the citadel of yellow fever, and to-day these afflictions to human beings have well-nigh disappeared from the face of the earth.

LET US EDUCATE "DOCTOR" MELLON

It would be well for Mr. Mellon to study something of the history of medicine. It would be well for him to study something of the history of civilization. It would be well for him to study something of the history of business, and especially of the history of money. Of course, it may seem presumption on my part to make those suggestions to Mr. Mellon. It may be said that since he is worth his hundreds of millions, and since I am almost a bankrupt—due to this disaster—that I ought to sit in silence and in submission and accept his dictum as to what order should be in the world of finance. But I do not agree.

The great medical discoveries have not been made by those practicing physicians that made fortunes dealing with hu-

man diseases. Pasteur, Koch, Ehrlich, Walter Reed, Goldberger, Noguchi, these pioneers in medical science, these victors over disease, these great benefactors of humanity, were not rich men but on the contrary were poor men. They did not parade themselves as money makers in their profession. On the contrary, they pursued the humble, inconspicuous way of tracing down the sources of diseases and thus learning to control diseases.

It does not take a rich man to understand the science of political economy. The very founder of that science, Adam Smith, was a poor student. Every man that has contributed to the advancement of knowledge concerning the study of economics has been a poor man. The men who understand most about the philosophy of finance are poor men. They have not devoted their talents to making fortunes at the expense of their fellow mortals. They have given their time and strength, and life itself, to promoting knowledge that will contribute to the diffusion of wealth and of happiness.

If Mr. Mellon had devoted his mental powers to the mastery of the broad subject of economics, he would not have had time to conserve and to accumulate the mighty fortune which is his. I honor him for his success, but I honor more the men who have been successful in the unselfish enterprises of promoting the well-being of all men.

I am saying these things to call attention to the fact that the advice of Mr. Mellon is not entitled to be accepted as gospel, nor is his opinion the last word of wisdom in the field of economics.

I believe if some members of the Federal Reserve Board could and would tell us all they know about that "big bull market" of 1929, Mr. Mellon would not appear the wise and unselfish patriot some sincere but misguided people think him to be.

Stop, look, and listen! Danger signal ahead!

I respectfully call to the attention of the Congress and the country the following language from a letter recently sent out under date of April 26 by Prof. Irving Fisher, head of the department of economics of Yale University, which is located at New Haven, Conn., in the very center of the most conservative influences in the Nation.

As I see it, the country is now hovering "on the brink." It can be saved by any measures which will bring reflation and stabilization, but care should be taken to select the best measures. The Goldsborough bill, now unanimously recommended by the Committee on Banking and Currency, represents an essential step. The Steagall bill for guaranteeing bank deposits, likewise recommended, is, I believe, another important emergency measure.

When a man like Doctor Fisher takes responsibility for the statement that this Nation is hovering "on the brink" but can be saved by measures bringing inflation of currency and credit, and subsequent stabilization, then it is for thoughtful men everywhere to give serious consideration to the enactment of the legislation favored by him.

WHY IS THE PARASITIC SPECULATOR RICHEST MAN OF ALL?

A thoughtful and observant friend of mine wrote me on November 2, 1931, commenting upon news items as to estates left by deceased business men reported in the New York Times of October 31, 1931, and I take this extract from his letter:

In reading the New York Times last night I was struck by the comparisons of the values of the estates shown by the inclosed clipping. The vocations and values of the estates (omitting the hundreds) are as follows:

Coconut manufacturer.....	\$1,370,000
Real estate.....	1,083,000
Stock broker.....	2,794,000
Lawyer.....	278,000
United States marshal.....	95,000
Cotton broker.....	4,782,000
Doctor.....	236,000

The above are rich men, of course, but neither the manufacturer who built up a great business nor the veteran real-estate dealer combined had as much as the stock broker. The lawyer, the United States marshal, and the doctor had small estates, while the cotton broker left as much as all the others put together, omitting the stock broker.

A CONSERVATIVE SEES THE LIGHT

Dr. Albert Shaw, editor of that old New York journal, the Review of Reviews, in the May issue says:

A sound and coordinated national credit system would have supported these local banks in extending farm loans at greatly

reduced rates of interest. But while many billions of bank credit were being used to stimulate frenzied speculation on the stock exchanges and in the commodity markets the farm situation was going from bad to worse, and local banks were beginning to fail by the thousands. What financier, arriving from Mars and scanning conditions with an impartial eye from Japan to Turkey and from Rumania and Patagonia to Saskatchewan, could have failed to say that our American system of credit, banking, and currency was in fact the very worst on this so-called planet?

ONLY CHEAP MONEY CAN BRING ABOUT HIGH PRICES

But all the "farm relief" that we are reading about does not emancipate the farmer from any part of his burden of indebtedness. It does not reduce his obligations in proportion to his ability to pay. Nothing can relieve him except higher prices for what he has to sell. Many western farmers incurred their present mortgage debts at a time when they were getting \$2 a bushel for wheat and excellent prices for cattle and hogs.

MODERATE INFLATION BETTER THAN OUR PRESENT DESTRUCTIVE DEFLATION—SACRIFICE OF PROPERTY FOR DEBTS

Even more serious than the cheapening of food and clothing has been the total failure of our credit system to support property values in the frantic competition of property of all kinds as it is now thrown upon the market. We have been engaged in a suicidal scramble for the acquisition of dollars.

Doctor Shaw continues:

"BONUS MONEY" WOULD BRING "MODERATE INFLATION" AND PROVE A BLESSING—DEFLATION WORSE THAN INFLATION

But our conservative financiers should not be unduly indignant at the followers of Mr. PATMAN. They, themselves, have utterly failed to make the dollar behave in a reasonable and consistent way. Prof. Irving Fisher's remedies may not be wholly acceptable, but his diagnosis is not to be rejected. A unified banking system and a more far-seeing policy on the part of the Federal reserve authorities could have saved us from the evils of extreme inflation and could also have saved us from the worse horrors of a shamefully unchecked deflation. Banks are chartered by the Federal Government and by the States. Official bank inspection gives to the ordinary depositor a moral guaranty of solvency and safety. Bank failures such as we have witnessed can but imply a rotten system that is a disgrace alike to the Nation and to the States. We ought to have a banking system that would justify the full guaranty of all deposits.

Money placed in banks that are chartered and inspected by Government authority should be as safe as money deposited in the Postal Savings Bank System. Mr. PATMAN might truthfully argue that the volume of his proposed inflation would not equal in amount the volume of currency and liquid assets hidden by frightened citizens under mattresses or in safe-deposit boxes, and hoarded by banks that are afraid to exercise their normal functions. Until our financiers, whether holding national and State offices or engaged in banking and similar pursuits, will concentrate on this one problem and solve it, they may expect increasing support for palliatives such as are proposed by Congressmen from the Southwest. There is much more excuse for green-back inflation to-day than there was for the free-silver delusion that took possession of the Democratic Party in 1896, and threatened to sweep the country in the Bryan-McKinley campaign.

Here is the root of our trouble. We must uproot our dishonest money system:

(By Clarence Poe, president the Progressive Farmer-Ruralist Co.)

Business men suffer equally with farmers: And not only is it impossible for agriculture to recover without either increased commodity prices or deflated debts, but the same thing is true of all business. From no farm leader, from no spokesman of agrarian opinion, has Congress had any warning more emphatic or clear-cut than this voiced by the ablest organ of American business the Business Week, of New York City:

"The only remaining road to recovery for ourselves and the world is by concerted and courageous action, through governments and central banks, to raise the commodity price level and reduce the value of gold to the level at which it was when the bulk of the world's public and private debt burdens were contracted. Otherwise universal bankruptcy, default, and repudiations are unavoidable."

The fundamental dishonesty and immorality of our present money system: If "universal bankruptcy, default, and repudiation" were necessary as a result of following rigid rules of honesty and fair dealing, that would be one thing. But when all this disaster is the result rather of a fundamentally immoral and dishonest standard of values (or absence of standards), the situation becomes entirely different. When we reflect that all debts must really be paid in commodities, and when we find the financial committee of the League of Nations reporting that whereas in 1928 it took 100 units of commodities to pay a debt of 100 gold units, to-day it requires 170 units of commodities, we must agree that this is not only "the crux of the crisis," but presents a ghastly and flagrant perversion of essential morality. As C. V. Gregory says: "If Congress had passed a law in 1928 requiring every debtor to pay back \$1.50 for every \$1 he had borrowed, besides interest, we would have had a revolution. Yet that is what deflation has done."

What can Congress do about the situation? If the commodity price level of 1920-1930 can be restored and thereafter steadily

maintained wholly by Federal reserve action, good and well. But millions believe that it is going to be necessary to provide that hereafter the quantity of gold in our standard dollar shall be increased or decreased so as to equal the average 1920-1930 purchasing power of a dollar. This could be done by storing gold bullion in the United States Treasury and issuing not coin but certificates against it, just as is now done with our silver certificates.

After the tragic experiences America has just been through, all enterprises will lag, all business will halt, all enterprise will be frightened, all development will be checked if every man on the farms and in business must make future plans with no assurance as to whether the dollar at pay time will be worth 50 cents, \$1, \$1.50, or \$2 in commodity values. On the contrary, if as a result of this depression Congress will for all future time provide two such measures as are now under consideration: (1) Government guaranty of bank deposits, and (2) a stable currency system based on average 1920-1930 commodity prices—then both American agriculture and American business can at once go forward to an assured and permanent prosperity.

WHAT SHALL WE DO WITH THE "ROBBER DOLLAR"?

Dr. Clarence Poe, editor of *Progressive Farmer*, of North Carolina, a paper I have read for over 20 years, in his editorial of October 1, 1931, says:

VALUE OF A DOLLAR IN PURCHASING POWER (IN CENTS) AS COMPARED WITH PRE-WAR (1909-1914) PURCHASING POWER OF A DOLLAR

1917	58.1
1918	52.0
1919	49.5
1920	44.4
1921	70.4
1922	70.9
1923	68.0
1924	69.9
1925	66.2
1926	68.5
1927	71.9
1928	69.9
1929	70.9
1930	79.3
1931	193.4
Now	298.0

From these indisputable figures surely anyone can see the truth of a statement we have often repeated in recent months, as follows:

During every day from January, 1910, to this good hour in 1931 there has been no change in our standards of height or weight or quantity. A yard has always been 36 inches, no more and no less. A pound has always been 16 ounces, no more and no less. A gallon has always been 8 pints, no more and no less. But in this brief period our measurement of value in buying and selling has varied 10, 25, 50 per cent, and even more than 100 per cent when we compare 1920 money values with present money values. Such a condition is as demoralizing as if a yardstick might be anywhere from 18 to 36 inches in length, varying by days, months, and years—fully as demoralizing and a thousandfold more disastrous.

WHAT ARE THE REMEDIES?

And now what shall we do about it all?

According to the judgment of many of our best informed authorities two things are necessary. First, drastic action should be taken at once by the great nations and banking powers that will drive prices as early as possible to the average level of 1920-1930. Second, the value of a dollar should be stabilized at that level. And perhaps the best general plan for stabilizing the dollar is that of Tinnes and Irving Fisher, which could be worked out substantially as follows:

1. Let the standard American dollar at any time contain just enough gold to represent the average purchasing power of \$1 in the years 1920-1930.

2. These dollars containing these varying quantities of gold need not be actually distributed by the Government (there is in fact little actual gold coin in circulation now; most people hardly see gold money once a year) but the Government would at all times hold enough gold bullion in the Treasury to redeem its outstanding "Treasury certificate" dollars based on these 1920-1930 values—precisely as our \$1, \$5, \$10, and \$20 "silver certificates" or so-called "paper money" is now issued.

By this method we should have indeed a stable money system—a "perfect and a just measure" in values; a standard fair alike to debtors and creditors, and seeking to do equal and exact justice between them. It is high time that our agricultural, political, and moral leaders in America unite in a demand for such a policy both as a moral and economic necessity.

SPECULATION RUINED THE BANKS—BANK FAILURES RUINED THE COUNTRY—MONEY INFLATION WILL RESTORE THE COUNTRY

I quote from *Weekly Business Review* of Alexander Hamilton Institute:

The length and the severity of the depression have been due in no small measure to the ill-functioning of the banking system. Last year no less than \$1,691,510,000 of depositors' funds were withdrawn from circulation by bank suspensions.

¹First half 1931.

²Latest monthly report.

The magnitude of this collapse may be seen by a comparison with former years. From 1921 to 1929, inclusive, the deposits of closed banks amounted to \$1,721,673,000. The failures of the single year 1931 were within \$30,000,000 of the total failures of this 9-year period. In 1930 the deposits of suspended banks amounted to \$864,715,000, so that the failures of 1930 and 1931 combined, totaling \$2,556,225,000, were 48.4 per cent greater than the failures of the preceding nine years.

Annual bank suspensions and reopenings, 1921-1931

	Deposits, suspended banks	Deposits, reopened banks	Excess suspensions
1931	\$1,691,510,000	\$158,187,000	\$1,531,323,000
1930	864,715,000	61,599,000	803,116,000
1929	234,532,000	25,829,000	208,703,000
1928	138,642,000	15,727,000	122,915,000
1927	193,891,000	35,729,000	158,162,000
1926	272,488,000	60,610,000	211,878,000
1925	172,900,000	16,618,000	156,282,000
1924	213,338,000	22,462,000	190,876,000
1923	188,701,000	11,674,000	177,027,000
1922	110,721,000	35,565,000	75,156,000
1921	193,460,000	17,493,000	175,967,000

If the Reconstruction Finance Corporation should accomplish nothing else, its contribution to halting the trend of suspensions would be ample justification for its existence. Given a continuation of the trend in evidence since the corporation commenced functioning and the Glass-Steagall Act became operative, the ground is being prepared for solid improvement in the future.

But these are emergency measures devised to remedy a serious condition. To prevent a recurrence of the condition is a problem which demands the utmost effort of banking and legislative leadership. The Reconstruction Finance Corporation is a two and one-half billion dollar organization, with \$500,000,000 of Government subscribed capital and authority to issue \$2,000,000,000 of bonds. Its total authorized stock, capital and bonds, barely exceed the net total of bank depositors' funds which have been made unavailable during the last two years. In the meanwhile Great Britain and Canada have been coping with a depression, prolonged and severe, but not made worse by the freezing of depositors' current balances and savings.

A READING, THINKING FARMER WRITES

ÆOLIAN HILL FARM,
St. Matthews, S. C., April 15, 1932.

Hon. JOHN J. McSWAIN,

House of Representatives, Washington, D. C.

DEAR MR. McSWAIN: I greatly enjoyed reading your speech made April 11, 1932, on Money Is the Blood Stream of Business. Many causes contribute to bringing about the terrible crisis in which we find ourselves, but I believe the "robber tariff" and our "robber dollar" are the main foundation stones upon which it rests. Our money system is wrong. The gold standard is crushing the life out of the people. There is not enough money in circulation. It can be cornered too easily. Our dollar buys too much of the products of agriculture. Land has practically lost its value. The great mass of the people are in debt. Many are hopelessly in debt. The country is bankrupt. If one buys "our money" with corn or cotton or oats or wheat or land with which to pay a debt of several years' standing, he pays the debt, not once nor twice, but three times or four times or five times. It can not be done. And yet the law says you must pay. Is it right? Is it just? Money should be the efficient, faithful, honest "servant" of the people—not a cruel, dishonest, tyrannical "master." Do you note how the "big boys," the big bankers, the capitalists, guard the gold standard? How they watch the doings of Congress? Our economic and financial system has enslaved a free people.

I was glad to read the paragraphs you quoted from an editorial in the *Washington Post*. "The dollar increases in value every day while everything else loses some of its relative worth," says the editor of the *Post*. He seems to be seeing the light. "Congress has the power to coin money and regulate the value thereof." Is capitalism blind and deaf? MR. McSWAIN, I believe Senator WHEELER's bill to remonetize silver would raise commodity prices, put value into land, put buying power into the farmer, enable him to pay off debts, put buying power into China and into India, revive international trade, and bring prosperity once more to the world. "Iron debts" can not be paid with "robber dollars." Mark this! Prosperity will never return to this country until buying power comes to the people; and buying power will not come until land values are restored and commodity prices rise to give the people a decent living. We are looking to the wise, honest, patriotic, unselfish men in Congress to correct our money system that is crushing the life out of the people.

Yours truly,

JOHN E. WANNAMAKER.

FARM-MARKETING PROGRAM

MR. SUMNERS of Texas. MR. SPEAKER, I ask unanimous consent to extend in the RECORD my own remarks which I made before the Committee on Agriculture of the House.

THE SPEAKER. Is there objection?

There was no objection.

STATEMENT OF HON. HATTON W. SUMNERS BEFORE THE HOUSE COMMITTEE ON AGRICULTURE MAY 11, 1932

Mr. SUMNERS, Mr. Chairman and gentlemen of the committee, we require, in our committee, that those who come before us shall identify themselves with the subject under consideration.

I grew up way back in the hills of Tennessee. In the early nineties when I was a boy my family and my neighbors lost in that panic all they had. I had read in one of my father's books there is no result without a corresponding antecedent adequate cause. My investigation had convinced me that is true. I wanted to know the cause and thus I became interested in the economic problems of agriculture. I soon discovered there is no real conflict between agriculture, its interest, and any other legitimate business.

PRESENT CONDITION RESULT OF VIOLATED NATURAL LAW

This condition that we are in now has not just happened. There has been somewhere a very serious violation of the natural laws which govern economic and political government. There can not be any question about it. It is remarkable that as a people we do not recognize that fact and seek the basic cause for our condition.

If any of you gentlemen before an audience of your constituents were to discuss the laws of God that govern governments, political and economic, any doctor present would probably think you were trying to preach a sermon; a farmer would wonder where you got that out of the Bible. And yet that doctor would know if he would stop to think that he had gone to school for years and years to learn the laws of nature, the laws of God, that govern in the field of his activity, and so on, with the rest of us.

I might have broken away from my interest in agriculture when I came to be a lawyer—at least I thought I was a lawyer, but shortly after I began the practice I was retained by Farm and Ranch, a great agricultural paper of the Southwest, owned then by one of the greatest men the country ever has known, Col. Frank P. Holland. I became, by reason of that connection, the lawyer for the agricultural interests in our section. That was when I was a very young man.

AGRICULTURE THE BASIC BUSINESS

Col. R. J. Kleberg, by the way, another one of the great men Texas has produced, the father of a member of your committee, was chosen about that time as the head of an organization having to do with the general interests of Texas. Through Colonel Holland, Mr. Kleberg consulted me and I persuaded him to have his organization, made up of all the country and city interests in Texas, recognize that agriculture is the basic business in our State.

I worked with that organization in an advisory capacity. In 1913 I was elected to Congress. In 1914 I discussed in the House the City Man's Interest in the Economic Problems of Agriculture. From that angle I have examined these problems in America and in Europe; my interest has never waned. From that angle, as agriculture is related to our economic organization and our present difficulties, I want to discuss some of the problems of agriculture, or rather I want to discuss our economic difficulties and the fundamental relationship of agriculture's difficulties to them.

NECESSARY TO RECUR TO FUNDAMENTAL PRINCIPLES

The wisest thing that has come to us from the period of constitutional construction in America came from the deliberations of the Virginia convention. It was about to this effect, that there can be no liberty—and also enumerating a number of other things—except by frequent recurrence to fundamental principles. There is no greater truth than that.

The thing that stands out clearest in that period, in my judgment, is their recognition of that basic fact. When we come to look at the problems that you and I have to deal with now, and examine them fundamentally, we find, as compared with other times, that the first important change which we must take into consideration came with the application of steam and electricity to human activities. This application wrought a complete economic revolution and gave to us many governmental problems which we must deal with largely upon the responsibility of our own judgment.

By reason of the cheapness and rapidity of transportation resulting from this application and the development of power factories, the manufacturing interests, theretofore distributed through the country as a part of the rural life, were concentrated in great industrial centers. The shoe cobbler and the old family loom moved out of the country and moved into the great cities, and the selling end as well as the producing end of business there became organized.

They were able to write into their selling price the cost of production plus a profit, whatever the cost of production might be.

AGRICULTURE SELLS TO HIGHEST BIDDER

Agriculture was not able, for reasons which you gentlemen well understand, to make that progress. It was left behind. It remained in its relationship to other businesses as a sort of inextinguishable commissary to feed business, and was not recognized, either economically or under the laws, as a business out of which people have a right to make money for themselves.

One of the most interesting facts I have run across in the study of the economic difficulties of agriculture is that the farmers themselves, at a time when they were in great majority, permitted that sort of a situation to develop and accepted for themselves that station among the businesses of the country. By consent, apparently, agriculture became the nurse cow to industry.

A thing equally as remarkable is that industry seems to consider itself not concerned as to how much milk it takes or how little feed its nurse cow gets. It never seems to have entered the mind of us city people that it is possible to feed the old cow too little or to milk her too much, and thereby bring hurt to ourselves. We are soon to learn that fact. Some of the smartest of city people have learned it. The dumbest of our captains of industry apparently never will. Some of the biggest of them, outside of their own business, are the dumbest.

PROTECTIVE TARIFF A BOUNTY—AGRICULTURE NO PARTICIPATION OTHER THAN IN PAYING THE BURDENS

Among the important things that happened as a part of this revolution was the fact that industry was able to overbid agriculture for many of the brightest boys and girls of the country, those best endowed for leadership among those people, because industry was able to write the amount of its bid into its commodity selling price. Agriculture, selling to the highest bidder, could not do that. I wish you would make a mental note of this as major proposition No. 1.

Added to this disadvantage, which is more or less a fundamental disadvantage and tremendously difficult to deal with, is the fact that we early began to operate under a protective-tariff system, from the benefits of which surplus producing crops are excluded. That system provides for a bounty to be paid to the beneficiaries of the system. That is what it is for, to raise their prices arbitrarily.

The purpose of it is to enable a part of the people, of whom generally speaking farmers are not a part, to have more than they otherwise would get. The place which these farmers hold in that scheme is to make the tariff system work by paying the tariff-boosted price out of their sales at nontariff-boosted prices. That is major proposition No. 2.

Under that general arrangement you see agriculture not only excluded from tariff benefits and paying tariff burdens, but generally at the end of the passing line, not only in regard to the tariff but in regard to freight rates, for instance, and other similar charges.

When there is any increase in transportation rates, for instance, or any other charge, business people add those increases into their selling costs or production costs, and pass them on.

Whoever can make out a bill and say to you, "This is what I charge you for my services or my wares," is able to pass on these various costs. From one to the other they are passed until they get to such persons as those who produce wheat, corn, and cotton. There these passed-on charges are absorbed. They are passed no further, because these farmers sell to the highest bidder and in competition with the cheapest labor on earth. These farmers are at the end of the passing line.

AGRICULTURE AT END OF PASSING LINE

Now, gentlemen, may I ask this committee, in dealing with this question, to visualize the actual relationship of these producers of exportable surpluses, and observe that they do stand at the end of the passing line. Merchants, doctors, preachers, teachers, all of them, whoever they may be, who have had their living costs or their operation costs increased by any of the things that have happened in America, have undertaken to pass them on. They are not able to do it now.

The thing that has happened in this country, that is making those of us who are in the big cities go broke, is the fact that these farmers who have heretofore absorbed these costs, or increased prices, are not able to absorb them any more. That is what is the matter with us in the cities. We have paralyzed them. We will not pay them enough for what they raise to enable them to buy from us or pay their debts. Those business communities directly dependent upon these farmers can not pay their debts or buy. There is nobody to employ the skilled laborers. So we can not sell or work. Our factories and our people are idle. We are becoming paralyzed also. Larger cities directly dependent upon these cities in agricultural States can not sell. They are becoming paralyzed also. There is nothing remarkable about it; it is inevitable.

There is another thing or two that I want to bring to your attention. I am just sketching these things, because I want to submit myself to interrogation as quickly as I can.

I have never been able myself to understand a thing unless I could get it where I could look at it and see it as though I were looking at it with my eyes.

The only way I have ever been able at all to understand the economic organization of this country is to look at it as a living, functioning thing, operating under natural laws. If we can visualize the situation and get it clearly before our eyes so we can look at it functioning, we can have a fair notion of what this economic organization of ours is and what is the matter with it.

In the old days, when nearly everybody lived in the country and farmed primarily to feed and clothe their families from the products of their respective farms, each little community was an industrial organization, each farm was almost an independent industrial organization.

But when the farmers began to produce to sell, after this change from the application of steam and electricity of which I have spoken, all businesses in a new sense became interdependent. The farmers' business became a part of every other business in a new sense. As that readjustment shaped up agriculture came to hold the position of the tap root to other businesses. I will not say the whole root structure, though in a sense shared by no other business that is true.

An examination will show clearly that it is the economic taproot for all business and all vocations in this country, the source from whence most of the sap comes from. This is not a new relationship, but it has a new importance.

AGRICULTURE ROOT OF THE TREE

Those of us who are merchants or lawyers, and so forth, do not produce; we render an economic service and we are entitled to live; but we do not produce. That is an important fact to keep in mind.

A thing that those of us living in cities do not seem even now to comprehend—I mean we are not conscious of it—is the fact that farming is to our business, whatever we are or do, exactly as the root of a tree is a part of the tree to its topmost branch and as important to us as is the taproot of the tree to those branches of the tree out there which we can see. The recognition of that fact must find place, first place, in any effective scheme to revive prosperity in this country.

We are not reviving prosperity by loaning money to those who can not pay their debts. We have got to get up circulation. We have plenty of everything, including money. It is the lack of circulation, and only that. The treatment should begin where the paralysis began. That is medical science. That is common sense. This trouble, this paralysis, began with these farmers. We have overbled them. They are prostrate. They can not buy. The paralysis has reached us. We can not buy. How can the idle get a job?

This paralysis would have happened sooner but for one fact. When we started on our migration from the Atlantic Ocean to the Pacific Ocean, we had before us not only a soil of great fertility but we had invented farm machinery which enabled us quickly to plunder the soil of its fertility.

We had railroads that carried great numbers of people quickly from exhausted to virgin soil. While we have been bleeding agriculture to support industry, it has been bleeding the soil. We are at the end of the bleeding process. We are at the end of the road now; we have reached the Pacific Ocean.

It is a new day in a sense. It is a new problem in a sense. Recurring to the figure of the tree, we have not realized that to stimulate the tree above the ground, we have been destroying the root structure necessary to sustain the tree.

There is another picture that helps me to visualize this thing. So far as I can see, the laws of nature are the same everywhere.

This economic organization of ours, made up of our interrelated industries, in the operation of its circulatory system is almost identical with the human body.

NOT A PANIC BUT PARALYSIS OF CIRCULATION

This thing that is the matter with us, gentlemen, is not a panic, it is not a depression; it is not something that nature is going to cure, because it is not a thing that has happened as a result of natural action. That is the most important single fact guiding us to the determination of a wise policy. It has happened as a result of an arbitrary thing. It has resulted in paralysis of the economic circulatory system of this country. If you just look about, you can see that there is plenty of everything. It is not circulating.

The importance of that problem, the nature of that problem, presents itself to you who sit around this table exactly as though you were physicians—that is what you are—you are doctors called in to examine and treat this patient. It is perfectly absurd for us who have responsibility, who get together in this sick room where the patient is paralyzed, to talk about the laws of nature taking care of the patient and getting him well.

If this condition had happened from natural causes, you might depend upon natural law; but it has happened as a result of something arbitrarily done, and which is still being done. You would not bind around the taproot of that tree beyond the window something that would cut off circulation and when the leaves were withering go on your optimistic way saying the tree is going to be all right just around the corner. There is a difference between an optimist and an ordinary fool. When such conditions exist, it is perfectly ridiculous for us to say the thing is going to get well itself.

Mr. FULMER. I regret very much, Mr. SUMNERS, I am not going to be able to listen to the remainder of your speech, because it is very interesting. But I have to leave at this time. I agree with you in your statement.

NOT GOING TO CURE ITSELF

Mr. SUMNERS. I want to get this over, gentlemen, and I am not going to be partisan. It does not make any difference what we have believed or what we preach; it does not make any difference what notions we have had about it. We have the responsibility. We have to do something intelligent and remedial about it. This condition is not going to cure itself. It does not have a chance. We are going to have a terrible time in this country this winter if the right thing is not done.

Go out there and look at the country people. How are they going to buy the products of the factory from the proceeds of the sale of their wheat and their corn and cotton? It can not be done. They are the root of the tree of which the business of your people is a part. As certain as we live there is where our paralysis began. That is where the remedy must be applied.

We men who come from the cities can not imagine those who cultivate eighty-odd per cent of the cultivated acres of this country, those who produce exportable surpluses, being prosperous, selling at a fair price, and our people breaking in the cities, our people idle. We can not imagine it. It could not happen. Does that mean anything to us? It does if we have any practical sense.

On the other hand, we can not imagine our people being prosperous in the cities and these farmers getting 15 cents for their oats, 40 cents for their wheat, and 5 cents a pound for their cotton. It can not be done. Does that mean anything? Does that not suggest the place to work, and the thing to do?

I do not care how much you loan the railroads or the banks, it will run off like water on a tin roof as long as the buying power of these farmers is paralyzed. It can not be done that way. God Almighty has fixed it, and that is the end of it.

You take the human body. You have got one part of the circulatory system that takes blood out and another that sends it back. The venous system takes it out and the arterial system puts it back.

The prices of agricultural commodities is the arterial system, the only avenue through which you can put back the money paid for the wares of the cities so that these farmers may buy again. You can not get it back with 15-cent oats, 30-cent corn, 40-cent wheat, or 5-cent cotton. If you do not get it back they can not buy, and we can not sell to them. There is no other way to get circulation started.

I am talking to you as doctors, called in here in solemn council at the bedside of a prostrate patient.

Take a country like this with the bounty of God upon it; think of it, gentlemen. We have been pretty stuck on ourselves. Just because we can fly through the air faster than other generations have been able to travel, because we can press a button and get a light instead of having to skin a yearling and get the tallow for candles, we hold ourselves superior. We have been on a grand jazz. We have jazzed off into the jungles. We have made an awful mess of our opportunities. We have gone fast, but in the wrong direction. We are at the end of the road. With the bounty of God unprecedented, with a country smothered in an abundance of things for feeding people, yet people are starving.

That ought to take the conceit out of us and send us in penitent humility to our knees.

NOT A PARTISAN MATTER

I shall try to be as free from partisanship as I possibly can in discussing this matter. You may say the protective-tariff system is justified. I will not argue that before this committee. That is the Agricultural Committee, not the Ways and Means Committee. But nobody can controvert this fact, that when our people cross the ocean with their cotton or grain and sell it in competition with the cheapest labor on earth, they are compelled by the might of government, out of what they sell for, to pay a bounty to those gentlemen in our cities, wards of the Government, who operate under tariff protection. That is what the protective tariff system is for.

We proclaim in the White House and in the Halls of Congress that it is our purpose to give to American producers a boost, a bounty equal to the difference between the cost of production here and abroad. But what about these farmers? There is no corresponding benefit for them. The tariff can not work for them. Their movement is out from this country. Why not give to them a corresponding boost? Why not give back to them that which is taken from them arbitrarily by the might of government through the tariff so that they may cease to be paralyzed and may begin to buy again? Justice and common sense can have but one answer. I do not care if we have no interest whatever in these farmers, they are the root of the tree of which our people's business is a part. It is a matter of self-interest and of self-preservation for those of us who live in the cities to do plain, ordinary justice to these farmers.

What are we going to do about it? What would you do if you were a doctor, called in to see a patient who was lying prostrate and bled white, and the blood still being taken from him? What would you do—shoot him? That seems to be the notion of many people. Are we going to drive them in desperation from sound notions of government and make them red?

AGRICULTURE BLED WHITE CAN NOT BUY

Mr. ANDRESEN. Give him a shot in the arm.

Mr. SUMNERS. If you were a physician and had any sense, you would reduce the outflow of blood and give him a blood transfusion, would you not? Is not that what anybody who has a bit of sense would do? First you would reduce the blood taking as much as you could. But we do not want to get into a tariff debate here.

Then you would give him a blood transfusion. That is what you would have to do. That is what we are going to have to do to agriculture, bled white. There is no use of anybody shying around it. You have got to do it, if these farmers are made able to buy the products of our factories and the doctors, merchants, bankers, and everybody up the line, are made able to buy. Suppose the arrangement were reversed and industry had to sell in competition with the cheapest labor in the world and was forced by an arbitrary arrangement of government to pay these farmers a bounty out of the proceeds of such sales; how long could industry stand up? Are not farmers made of the same flesh and blood and their business subject to the same natural economic laws as those which govern industry?

We have been hearing a lot of perfectly absurd talk about prosperity being "just around the corner." I will tell you what is just around the corner unless we remove the economic and governmental injustice which is imposed on these farmers, and give their buying power a chance to revive and thereby give our factories a chance to open up. It is the dole, and maybe worse. That is what is just around the corner.

FARMER SELLS IN COMPETITION WITH CHEAPEST LABOR ON EARTH AND
PAYS BOUNTY

We will have to give back to these farmers arbitrarily that which we are taking from them arbitrarily. There is no use shying around that, either.

When you make a man by the might of Government give up a part of the 40 cents he has got for his wheat, selling it in competition with the cheapest labor on earth, and turn it over to a manufacturer so as to boost his price, that is an arbitrary thing. You must give it back to that man and do it arbitrarily. It is a matter of justice and of necessity. How can these farmers buy products of the factory unless you give back to them what is taken? If agriculture is prosperous it makes certain the prosperity of others. It is the root of the tree.

Our whole policy by which we drifted into a condition making necessary a reconstruction program demonstrates the poverty of our statesmanship. With assurance that we were moving in the right direction, that all would be well around the corner, we have jazzed off into the jungles. We are not yet headed in the right direction.

I appreciate your attention very much, Mr. Chairman and gentlemen. Only the certainty of conviction that this is the only door through which we can with any reason hope to escape the grand smash is my reason for taking so much of your time and mine. Our apparent inability to comprehend our situation and its causes is my apology for repeating. I hope others than members of this committee may read what I am saying.

Mr. ADKINS. You have made a very interesting statement. I have dealt with this problem all my life. I started in as a cattle feeder at a dollar a day on a farm and made my living there all my life.

I have heard the very interesting statement here that agriculture has very largely arrived at its present condition because of the evolution of power. We have gone from a complete unit in manufacturing and producing all we needed for our individual farm uses to an industrial order when we sold our stuff and took in exchange what the other fellow processed, and then we have come along down, and that is largely responsible for the condition we find ourselves in now.

Mr. SUMNERS. It is one of the causes.

Mr. ADKINS. I think every man on this committee—I know it is true with myself—as a matter of self-protection, when I was trying to make a living on the farm, looked into these other questions.

In the twenties we passed through just such a situation as this, when the condition you first explained, where the farm was a complete unit, was in full operation at that time.

We passed through a condition where, for instance, corn was selling at 6½ cents a bushel and hogs at a dollar a hundred.

Mr. NELSON. Will you quote the years on that?

Mr. ADKINS. That was in '23, '24, and '25. In 1824 cattle 4 or 5 years of age—I can give you the name of one man who fed the first cattle out there, D. Biltmore; I want to state this general proposition to you to see whether or not we are not up against the same game. From that time down to the present we have been up against the same game at intervals ever since our Republic started.

I want to point out the fact that a situation similar to the present situation existed at that time. Cattle 4 or 5 years old could be bought for \$8 a head. One man out in our country bought 1,200 feeding cattle at that time for that price.

You can go over here to the library and get Henry Clay's speech and see where he made very largely the same kind of a speech that you have made this morning, in which he outlined the desperate situation that existed, where land went down from 40 and 50 to 7, 8, and 10.

He said at that time, on March 4, 1824, before the House, that our people were not less industrious than they had always been, our land was no less fertile, we were producing bounteous crops, the sun was shining, and there was plenty of rain, and yet we were languishing in the direst poverty.

That was at a time when the very same sort of condition existed which you outlined, and it existed at the beginning of our country, when it was in full operation.

From 1837 on down, at various intervals down to the present time, this same sort of a situation has prevailed. We find that the people in the cities, the people you represent here, were in the same bad condition.

In 1892, 1893, 1894, 1895, and 1896 we passed through the very same sort of a condition, carrying a big debt, and we could get no relief. We could not pay our debts; we got no relief; we could not pay expenses. Whenever men got to work they were sleeping in barns. But our problem was solved and we went along for a considerable time again.

Now, we are up against the same kind of a proposition we have been up against at intervals ever since the Republic started, and the same situation prevails.

Maybe you have lived long enough to have lived through three of these situations, like I have.

I remember the old clothes we wore in the seventies, and then again in the nineties, and then in this situation.

A very serious question is presented to this committee now. I do not care whether a man is a Democrat or a Republican. I do not believe there is any man on this committee but who would like, if he could, to suggest some way out of it. But we run up against the same proposition that these other fellows did in times gone by.

That is the picture I have, and I expect some of the rest of us are thinking of conditions just like this that we passed through in times gone by.

NOT NECESSARY DISASTER BE REPEATED

Mr. SUMNERS. I would like, if possible, to help save my country from the wreck and ruin of such periods.

Mr. ADKINS. We are all of the same opinion. Let me ask you a practical question.

Mr. SUMNERS. Make it a question, please.

Mr. ADKINS. Here is this bill we have before us now, with a great demand for a reduced cost of government, and to reduce taxes, and so forth.

Do you believe, as a practical proposition, Mr. Sumners—and that is what we have got to get down to—that it will be possible to get such a law on the statute books and get it operating? Is that your honest opinion, that you could do that?

Mr. SUMNERS. It depends on whether the Members of Congress have the notion that because bad conditions have obtained in the past and obtain now they are inevitable, and we have to sit still and see them through.

Mr. ADKINS. Do you believe any considerable amount of this money would come back to the farmer?

Mr. SUMNERS. I do not know what bill you have your hand on there.

Mr. ADKINS. I refer to the debenture idea.

Mr. SUMNERS. Why, sure. I not only think it is feasible under the circumstances, but I am certain we have the choice between something of that sort and the big crash. That is my judgment.

Mr. ADKINS. We are in the big crash now.

Mr. SUMNERS. When we trace radical policies of government back to their sources we discover that almost without exception such policies come from the failure of government to do what it ought to have done when it ought to have done it. We ought to be warned by that fact. I hope I may be pardoned for repeating it.

We are at war with an economic condition. My judgment is, and I have tried to make it as clear as I can, that we have got to give back to agriculture at least as much vitality, or sap, or blood, or whatever figure helps you most, as is being taken from these farmers by the might of government, and do it arbitrarily, because we are taking from them arbitrarily. Does that make it clear? They would still be at a disadvantage as compared with tariff-protected industries. That would merely be putting them back on a free-trade basis. Suppose industry was forced to sell in competition with the cheapest labor in the world and had to pay to the wheat farmers from 25 to 100 per cent above the world market, how long could industry stand up? Is it to be marveled at that at last agriculture has crashed?

How are you going to revive the buying power of farmers otherwise? We are going at the task wrong. There is a vast difference between what I propose and the plan embodied in the Reconstruction Finance Corporation loan.

PLACE TO BEGIN RELIEVING PARALYSIS IS WHERE IT BEGAN

Basically what the railroads of this country need is freight, not credit. Debts can not be paid by borrowing more money. We do not need anything in this country except circulation of what we have. The place to begin to relieve our paralysis is where it began. The remedy is not credit but restoration of that which is arbitrarily taken so farmers can buy. We have grossly exaggerated the efficacy of credit, gentlemen. Because credit has worked under some conditions, we think it has efficacy for every ill that the country and the world are heir to.

NO BOULEVARD LEADING OUT

We have the challenge of a great difficulty. There is no boulevard to lead out from where we have foolishly wandered. Do not make any mistake about that. We are in the jungles. We are going to have to cut down the trees and go out over the stumps. It is foolish to reject a road because it is difficult and not free from danger. There are three questions. Do we have to move from where we are? The answer is yes. What roads most certainly lead in the right direction? And when will we be on our way?

Anything that you can do to revive agriculture, to help the buying power of farmers, would be like rain falling on the watersheds, making green those hillsides, starting the little springs, starting the little creeks, starting the little rivers, starting the big rivers, starting the farmers to buying, starting the retail merchant to buying, starting freight to moving, starting factories to going, starting the idle to work, in a word, curing the paralysis of our economic circulatory system, the only thing the matter with us. There would be as much difference between that and what we are doing to revive conditions as there would be between rain on the fields and pouring the same amount of water out in the rivers hoping it would run upstream and finally reach the hillsides and the high table-lands.

Mr. GLOVER. You referred to this committee as a bunch of doctors dealing with a sick patient. As one of those doctors I think you are one of the most wonderful diagnosticians I have listened to. Usually a good diagnostician is one who knows how to prescribe a remedy.

What would be your remedy, based on your study, for the cure of this condition?

Mr. SUMNERS. Agriculture has two major problems. One is merchandising, the other is freedom from its present position of

economic slavery to the businesses of our cities. I do not appeal to prejudice; I appeal to justice and to common sense.

This Agricultural Committee is the key committee of this Congress now. I know it is the key committee dealing with the whole economic situation.

Of course, we depend to a degree upon the Banking and Currency Committee and on the Ways and Means Committee, but I say here is the key committee, and upon your wisdom, your courage, and your determination is going to depend whether or not we are going to escape that which now impends. Nobody knows exactly what it is. It may imperil our form of government. It may involve the socialization of industry. But this we know, there is not a single private holding or public institution in America that is free from danger.

IN THE LAST TRENCH

Do you suppose that a good general at a crisis in a major battle, realizing he is in the last trench, would withhold his resources? We are in the last trench.

I remember in 1919 I was in Belgium. We were up near the sea. A man who had been in the army was showing us around. He told us the King of Belgium came up there and said to the army, "There is no retreat from this trench. It is the last trench. You have got to hold this trench or die here, because the sea is behind you."

That is exactly where we are this minute. The sea is behind us. There is no retreat from this trench. We have to throw every resource we have got into reestablishing and holding this far-flung economic battle line. The line was broken at the point held by agriculture, which we have drawn upon mercilessly to strengthen the position of industry. What would a good general do? What would sensible people do, living behind a common levee in the event of a break at any point? We have been digging from the levee in front of agriculture, weakening it and adding what we dug away to the bank further up. That is exactly where we have been going to get the material for building up much of the rest of our levee, and we seem to be surprised that at last this part of our levee has broken and the water coming through that crevasse has swept around, putting out the fires of our factories in the cities.

Does this not suggest to sensible people where we ought to get to work? Does that not suggest where we ought to throw in our resources? We do not have many more of these \$2,000,000,000 units to throw in either.

If the farmers hold, we hold; if they break, we break. Is there anybody who does not realize that now?

Mr. CLARKE. May I ask you this question right there? There are two schools of thought in reference to the question as to how to help agriculture, as I view the question. At least, there are two schools of thought that prevail up in my country.

One is that the farmers themselves are not willing to come into the cooperative movement upon the commodity they produce and help to battle for themselves, federated nationally upon the commodity they produce. What more can Congress do than it has done?

Mr. SUMNERS. That is a fair question. Let me touch on that.

As I stated, agriculture has two problems; one of them is that to which you refer, marketing. I have much respect for your judgment and for your patriotism.

SPOT PRODUCE EXCHANGE

There ought to be established in this country something very akin to a produce exchange where actual spot commodities would be sold by their descriptive trade terms while still at the point of first or secondary concentration. In the merchandising of agricultural commodities we find that production and consumption have moved so far apart that trade contact has been broken.

When the farmer used to sell a few surplus hams to the people who lived in the little village, using on his farm practically everything he produced, selling was relatively unimportant. Besides, he could drive his wagon into the village and the consumers could examine his products. There was trade contact.

Now, if there is a man in the Rio Grande Valley who raises spinach or oranges, or some other produce, he does not know where the people are who want those things, and the people who want them do not know where the supply is or how to establish trade contact. There has been improvement in that regard since I came to Congress. I have done my best to help, but there is yet much to do.

From the days of the manorial markets in England and on the Continent it was regarded as the duty of government with regard to commerce to establish public markets and thereby the possibilities of trade contact. That is a very interesting fact. It is only within the last 100 or 150 years that it has ceased to be recognized as the duty of government to establish and maintain such possibilities of trade contacts. Or rather there has been a failure to recognize the changes which improved transportation has wrought and adjust governmental policy to meet those changes.

In order to establish the possibilities of general trade contact now, three or four definite things must be done. You gentlemen have done much in that direction, but there is one new thing needed, and then a general hook-up.

First, you have to standardize agricultural commodities so they may be dealt in by their respective trade terms. I do not think we have approached that job exactly from the right angle. I am not very familiar with what has been done during the last three

or four years. We have standardized sufficiently for the requirements of merchants who split again.

I would make this the goal—for each considerable quantity of an agricultural commodity having distinctive characteristics determinative of the use to which it is best adapted, a separate trade term. That ought to be the goal for standardization.

You have the warehouse act which would give the possibilities of physical protection and intermediary supervision and inspection, and generally guarantee integrity of transaction. Proper standardization, intermediary supervision, physical protection, and assurance of integrity of transaction possible under the warehouse act, and then a place where these commodities, thus standardized, physically and morally protected, could be listed for sale by their respective descriptive trade terms would give to them a potential universal trade contact which would in turn make possible that these commodities move under prior sale to the points of use in quantity and quality, in accord with the requirements for use.

Under such a plan it would be possible in a community where farmers could get together a shipping unit of any commodity susceptible of standardization to put it in general trade contact and for any cooperative group of consumers desiring to buy to do a similar thing. My idea would be for anybody, including merchants, to use this facility. As long as the total charges were reasonable they would probably continue to distribute. The guaranty of reasonableness would lie in the fact that there would be an available trade route around the privately owned and controlled routes of distribution.

When you shall have done those three things you will have created the possibilities of building cooperation from the ground up, the only way it can be done. The failure thus to build and to have something permanent after the building has been responsible in large degree for the failure of cooperative effort in America. You would make it possible for communities to learn to cooperate, because you would give to small communities access to a general market. Afterwards they could confederate.

You also would make it possible to develop in centers of consumption small cooperative purchasing groups. There would be a place to which they could resort by wire, phone, or in person. As a practical proposition in the event distributors attempted the exercise of toll-taking power, if there be assurance of physical protection and integrity of transaction—in other words, delivery according to tender, and purchase and payment according to offer—you would have the possibilities of these people buying and selling with each other that which the purchaser had never seen. Our modern so-called cooperative marketing associations as a rule are not true cooperatives; they are too much, as is the organization of the army in some countries, largely generals. They are not true cooperative marketing associations where the officials carry out the cooperative will. There are some high officials and sales agencies and Government assistants. The farmers do not control the policies. They are told what to do in order to participate in some benefit.

Cooperating is a mental attitude you have to acquire. It is acquired by doing things cooperatively.

THE DEBENTURE

This other problem of agriculture is related to marketing, but for the purpose of this consideration it may be examined apart from marketing. It is doing for agriculture the thing required of any government claiming to be just and impartial among its citizens. It is required of any government pretending to afford to its citizens equality before the law. It is now required of this Government by the most imperative necessity in behalf of the common good, the public necessity. I refer to what is known as the export debenture. I do not limit to specific details. I do limit to the general plan of an export debenture. The philosophy of the debenture is found in basic economic necessity and duty resting upon government to preserve equality of advantage, equality of benefits, and general equality among its citizens before the law in order not only to do justice but also to preserve good government and a normal development of the economic body functioning normally in obedience to natural law. Its plan of operation would be to give back to the farmers who have no benefit from the protective tariff that which through the tariff is taken from them by the might of government and given to the beneficiaries of the tariff.

I do not know of anything in the history of governments pretending to be just which is more partial and under present conditions more brutal and less wise than the treatment of these producers who raise grain, cotton, and tobacco.

I do not mean this Government purposes to be brutal, but it is a brutal thing done by the might of government, and the disastrous effect has now reached to the most far away and the greatest of the units which make up our interdependent economic body.

Let us look at this a minute. Here is a Government which says: "I am going to protect you, my producers, from the cheap labor of others. My purpose is to have you get prices as much higher than other peoples get as will make up for the difference in the cost of production under American standards of living and the lower standards abroad." After having thus declared the purpose and the policy it is made to apply only to a part of its producers. These farmers to whom I have referred are left out. That is done by a government which boasts of equality before the law. But it does not end there. In addition it denies to these farmers the right to buy where they must sell. Why? In order that they may be compelled to buy from those who are to have the benefits of the tariff system. So it is that to the fault of partiality the crime of economic slavery is added.

THE PENALTY OF INJUSTICE

Suppose a father should say to his two boys: "I am going to protect you against the cheaper living conditions of your neighbors. I want my family to live better and get more for their products than our neighbors get," and then would say, "Now, John, this does not apply to you. You must still sell in competition with your neighbors, but you may not buy from them. You must bring your money back home, and with that which you get in that cheaper market buy from your brother, Tom. Of course, you pay him more than you would have paid where you had to sell, and you must pay your brother more than he otherwise could get." Suppose John should say, "You see to it that Tom is given a boost in his prices, but you do not get any boost for me—you even make me pay Tom's boost. Am I not a part of this family?" What could the father say and tell the truth that would place him in any decent attitude as between his boys? It could not be done. That attitude is not decent. It is an attitude that violates every obligation of equality, of justice, and, looking to the far reaches of time, of sound public policy. We can not fail to see that. Somewhere down the line that sort of thing, that partiality, that injustice has to be paid for. This is that time. We of the cities are paying now. That is bad enough, but it is only a part of the picture.

THE ADDED DISADVANTAGE

Before the war we were able to dispose of a large part of our agricultural surplus, paying the interest we owed to other peoples. After the war we ceased to be a debtor nation and became the world's great creditor nation. We brought back a large part of the world's gold to this country and also brought back billions of dollars of bills receivable. It requires the gold which the rest of the world can get to pay the interest they owe to us. That left these farmers with a greater necessity to barter. That is a natural right. What did we do about that situation? We ran up the tariff wall still higher, cutting them off more completely from their accustomed markets.

I want to touch on just one other thing. You take the bill you gentlemen reported for farm relief. It was drawn upon the theory that these surpluses are bad things and are to be got rid of.

Every one of the propositions being considered by you now except the debenture is based upon the assumption that our surpluses are things to be got rid of. What does that mean?

SURPLUS BAD ONLY TO PEOPLE DEVOID OF STATESMANSHIP

What are you going to do with these people who are now producing a surplus? Where are you going to drive them? What is going to happen to them? What right have you to drive them anywhere?

In the first place, is it a good thing to have a surplus of agricultural commodities? Is it a good thing for a nation to be protected by a safe margin against all the hazards of current production, against the uncertainties of the ravages of insects and of climatic conditions?

We face the fact, gentlemen, that there is not a statesman in central Europe perhaps who would not exchange half the natural resources of his country in order to have for his people the security—I mean every sort of security, including military security—guaranteed by an abundance of food and clothing material at home each year which would be afforded by such a surplus as we have. Yet we despise it. We despise God's earth and its bounty and are trying to get rid of this bounty of God, more important to the safety of any people of ability properly to order their economic and political government than a surplus of gold in their treasury, and more vital to their national security than a great navy upon the seas.

Are we utterly devoid of statesmanship and of common sense? What are we going to do with these people, these grain and cotton farmers? Are we going to drive them into the cities, to add to the millions of unemployed people? They have to be somewhere; they have to go somewhere, they have to do something. What?

In my country we are producing at least 50 per cent of our cotton for export. Is that an illegitimate thing? Is it a bad thing for people to be engaged in the production of commodities for the world market? When did it get to be a bad thing? What is the use of these millions expended to support the Bureau of Foreign Commerce? What is the justification for this \$17,000,000 building which the President and the last Congress approved for the Department of Commerce if we are going out of world commerce?

Take your corn and wheat growers. What are your people going to do? Ought they not to be given a fair chance, a fighting chance before we issue against them the decree of economic death?

The fault with us and our policies is that we see difficulties in our road, and somebody says, "Look out; there is a broken culvert," and we whirl off into the jungle without any consideration as to the difficulties in that direction. Where will these people go? I do not know where they will go. Why not at least give them a chance to hold their accustomed world market?

Mr. NELSON. Speaking of a surplus, three years ago last April, when this committee met on the 15th of April, or before that, we had witness after witness before us, and I asked them the question, "Is the surplus a good thing?" And without exception the answer was that a surplus is a good thing; it is the only thing that will make for the safety of the country as a whole.

I have been greatly interested in what we have heard this morning. I think it has been one of the most constructive and fundamental talks that we have had. As I understand it, your thought

is that regardless of whether or not the tariff is good or bad, so long as we have a tariff, it should be made effective, as effective for agriculture as for industry?

HAVE GOT TO GIVE BACK TO AGRICULTURE WHAT IS ARBITRARILY TAKEN

Mr. SUMNERS. We have reached the point, gentlemen, where we have got to do that. I say that without the slightest uncertainty as to the soundness of my conclusion.

Mr. NELSON. I might say that was the view of some of us when the so-called farm relief bill, which has just about "relieved" the farmer of everything he has, was passed. At that time the present chairman of the committee, Mr. JONES, of Texas, offered an amendment to that bill to incorporate the debenture plan. It failed, as did the amendment I offered to incorporate the equalization-fee feature. The farm marketing act at that time was said to be written in a very definite way, and it was written in just that way. The farm marketing act, judged by its results, has been a failure, as I knew it must be. I was one of 35 Members to vote against it.

Now, what can we do for agriculture? One thing we ought to do is to repeal the farm marketing act, to set a time when that act will be repealed, or at least when the stabilization feature of it will be taken out; or if this is impossible, then amend the present act. It can not do the job as it is.

We can no more make this scheme work, we can no more suspend the law of supply and demand, than we can suspend the law of gravity. And if this committee does not do something along that line before this Congress adjourns, we will have failed to do our duty.

That is one thing we can do. We can look forward to the time when we no longer have the Farm Board operating as it has been. We have spent \$500,000,000, or appropriated that much, for that enterprise, and the spread between the peak price and the present price of farm products in America has been larger than in any other country in the world. We have proved that stabilization, as it has been tried, will not work.

Now, if we can make the tariff effective, as it is proposed in this bill to do, I think perhaps we have taken a forward step.

You have referred to us as a committee of doctors to remedy this condition. The patient is dying and is almost dead. In my opinion we have got to do something else. The witness spoke a while ago of a time when the farmer was self-sufficient. I happen to have on my desk this morning a statement from one who is supposed to be an eminent authority on agriculture, suggesting that the farmer should go back to the old days, that he should buy little, that he should make on his farm the things that he used to make. He said he could do that very well except for two things, taxes and interest. That statement was rather amusing. Incidentally, if carried to its conclusion, if the farmer began to become all sufficient, it would destroy the city.

You have asked what would the railroads do if the farmer became all sufficient. I ask, what would the factories do if the farmer became all sufficient? We have got to pursue these things along the modern line.

Mr. SUMNERS. That is perfectly ridiculous; that is just as absurd a proposition to submit to serious practical men as one can think of. To say that the thing to do is to revert to the old conditions of the oxcart and the tallow candle. I would not take up your time, gentlemen, to discuss such a proposition even in criticism.

Mr. NELSON. Yet we are hearing that to-day from many people.

Mr. SUMNERS. I know; there are a great many fools in the world and they have large audiences now.

Mr. NELSON. Nobody should take it seriously.

Mr. SUMNERS. No.

Mr. NELSON. Yet it is being proposed and from some so-called eminent authorities.

The CHAIRMAN. I think we have had a very fine diagnosis of the situation and a profitable discussion. I think any further discussion should be along the line of the remedy we have to suggest.

Mr. LARSEN. Mr. Chairman, the gentleman from Texas and the gentleman from Illinois had quite an interesting discussion. The question propounded by the gentleman from Illinois was an important question and I wanted to see if he could answer it, so I asked him this question:

"What was found to be the remedy for the conditions which you say existed in 1824?"

He has not answered it, and I want to know if this gentleman will answer it.

Mr. ADKINS. That question was answered; he answered it.

Mr. LARSEN. No; he did not. I am going to read your answer: "Mr. Clay said we must have a protective tariff."

Mr. ADKINS. Read the question.

Mr. LARSEN (reading):

"What was found to be the remedy?"

I did not ask you what Mr. Clay said. I asked you, "What was found to be the remedy for conditions at that time, in 1824?"

Now, if the patient was sick in 1824, and he must have been, if corn was then selling for 6½ cents per bushel, the patient recovered. What I desire to know and am asking is, What was found to be the remedy for the patient in 1824? Not what Mr. Clay said you ought to do for him. Can you answer that question? What was found to be the remedy? Let me ask this question: We had a panic of 1837, as the histories put it, I think. It started about 1824. We had one in 1873 and we have had some others.

Mr. ADKINS. We had one in 1857.

Mr. LARSEN. Yes. We had one in 1857 and in 1893. I guess those were the major panics. At that time agriculture was in a very serious condition. But it recovered each time. Old Man Agriculture is not quite dead yet.

Now, what I want to know is, What were the remedies that we applied in those years? Perhaps we ought to have the same remedies to apply now; I do not know. Can you give me those remedies?

Mr. SUMNERS. Let me see if I can not at least get the difficulty out of the way.

Mr. LARSEN. With relation to the three theories that have been suggested to the committee.

THE TARIFF IS A BOUNTY

Mr. SUMNERS. Reference has been made to Mr. Clay. Mr. Clay, Mr. Webster, and Mr. Hamilton each recognized the protective tariff as a bounty, and Mr. Hamilton seems to have favored a plan under which a part of the import duties resulting from the operation of the protective tariff system should be paid to those producers not the direct beneficiaries of the system.

Gentlemen, the time has come when we must decide basic policies guided by fundamental principles. We have had enough haphazard, hit or miss policies.

In so far as I know we of the Government are the only people engaged in serious effort in the world, I mean we, the legislators and Presidents, who fail to recognize that there are natural laws which suggest what ought to be done. That is an interesting fact, is it not? We are the only ones. We do not even recognize that there are natural laws that govern governments and govern the economic life of the people. We just sort of splutter around and go about.

Now, when Washington was sick—and that was a good while ago—they sent for one doctor and he came and bled him. Then they sent for another doctor and he bled him some more I believe, and ultimately they killed him. Our statesmanship is in about the stage of development of the practice of physicians in Washington's time.

When we come to deal with our economic disorders we are dealing with a sick patient. We are dealing with a sick economic body made up of many interrelated interdependent units, of which agriculture is an important part, the part where the present disorder originated, and the one from which this economic paralysis has spread to the other parts of the economic body as of necessity by the laws of nature, its penalties not accidentally, it had to happen if the policy be pursued which has been our policy. If not arrested it was bound to spread. I speak of paralysis of buying power, a paralysis of the circulatory system of this economic body. That is all there is the matter with us. I do not want to get into any partisan controversy about this matter, because I do not intend to discuss it that way.

THE REMEDY PRESCRIBED FOR A PATIENT BLED WHITE WAS MORE BLEEDING

At the beginning of this administration, in extraordinary session, we were summoned to come to this patient who had already been bled white, was prostrate, and still being bled to support the tariff system when we got here. What did we do? Did we reduce the blood being taken and give the patient a blood transfusion as any intelligent physician would have done under similar circumstances? Not a bit of it. We increased the quantity of blood being taken. We raised the tariff and refused the debenture, refused a blood transfusion. We bled agriculture more, raised the tariff, and have been sitting around expecting recovery. That was the program of the administration. Think of that. Saying everything would be all right "just around the corner."

I know the President is opposed to what I suggest, but the President is wrong. This is one thing I know more about than he and his advisers know. And I know I know it. Not about many things would I speak with such assurance. I do not want to interfere with the President's program. Politically the present situation is a bad one. I know all we Democrats can do is to try to help tide over until one or the other party can be placed in complete control. I would not press this matter now if I did not know the dangers immediately in front of us toward which we are headed as straight as a crow can fly. I have studied this matter for many years. The record will show that I have pointed out many times the destination to which our policies have led us, and have entered my protest and have offered what subsequent developments have demonstrated were constructive suggestions.

I will tell you, and may I tell the President with all respect, what is "around the corner" if we do not revive the buying power of the farmers, it is the dole. As I said, the radical things which governments find themselves compelled to do have their origin in the failure of government, to do what ought to be done when it ought to be done. I do not want to appear presumptuous or be egotistical. If I do so it is because I have given during many years study to this matter. I know what is the matter here. I know its importance and I see the danger. It is no time to permit modesty to interfere with the warning which it is my duty to give.

Now, may I make this observation, gentlemen? The debenture is in effect a tariff on agricultural commodities arranged to give back to agriculture what is taken, and which, in order to be made effective, must be made to operate in a reverse direction. It would return to farmers what the tariff takes from them, and give them a chance to pay their debts, and to buy, and give others and others on up to the greatest corporation the ability to do the same thing, and to put idle people to work.

Academically, I am a free-trader. But we are called here to responsibility after others have established an operating protective system. It is facts and not theories with which we must deal now. This I lay down as a sound public policy: Where you have a tariff system, and as long as you have it, the only way you can prevent injustice, or a lopsided industrial development, is to distribute the burdens and the benefits not merely of the system itself but of the policy sought to be made effective through the system. That is the only way you can prevent a part of your industry serving as a nurse cow for the rest of it. Agriculture has been serving for a long time as the nurse cow for a mighty big yearling. We have got to feed the old cow or wean the yearling. She is not giving enough milk for this yearling, and the yearling does not want to graze. As a matter of fact, it is not a yearling; it is a full-sized steer. What I say is, as long as the steer sucks you must feed the cow; otherwise both the cow and the steer will perish.

I am taking up too much of your time, gentlemen. I submit myself to the committee for questions.

Mr. MITCHELL. I would just like to ask you how you think the people in the respective States and communities would react to the idea of Government supervision and control in their respective localities and sections? Just what procedure would you indicate the strong arm of the Government might follow in our respective jurisdictions? Will you be good enough to give the committee the benefit of your opinion of the practical workings of the bill that you have in mind?

ARBITRARY CONTROL SHOULD BE AVOIDED

Mr. SUMNERS. When you come to deal with these farmers—and I know them—you have got to consider the element of human nature that is involved and the attitude of that particular part of our people.

I believe the farmers would not submit to arbitrary control, going into the details of their production, telling them what they can do with their farms and that little tract up on the hill. They would submit with as much resentment, and more, than any other class of people in the United States. I think you would find a great deal of resentment.

The CHAIRMAN. May I suggest right there that this debenture plan does not have any suggestion of that kind in it. That would simply be handled at the port.

Mr. SUMNERS. One great advantage of the debenture plan is that it is freer from the element of arbitrary control than any other plan I have seen suggested and would require smaller Federal machinery and less expense to administer it, and would, therefore, have a tendency to give to the producer a larger share of that which the people are compelled to contribute. It would add least to our great army of Federal employees.

The CHAIRMAN. If there are no further questions of Mr. Sumners, I desire to thank you for your presentation.

Mr. SUMNERS. If anyone finds anything in my remarks that seems partisan, I shall be glad to eliminate it from the record. This is not the place for such things.

Mr. HAUGEN. I would like to ask a question of the gentleman before he leaves. Your suggestion is for the establishment of a produce exchange?

Mr. SUMNERS. Yes. You know, you have tried to regulate these privately owned and merchant-controlled institutions called produce exchanges and to compel them to perform a public function. I doubt that you will ever be able to do it.

Mr. HAUGEN. You suggested the debenture plan in connection with that.

Mr. SUMNERS. Yes.

Mr. HAUGEN. Would it be wise to spend a large amount of money now to do what could be done otherwise without such a great expense?

Mr. SUMNERS. With regard to any other proposition, I would say that if our assumption is correct it is not wise.

Mr. HAUGEN. I think we all understand the situation. I do not think there is any question about that. We have understood it for all these years and we have been trying to get some remedy.

Mr. SUMNERS. Yes.

Mr. HAUGEN. We brought in a compromise measure. Everybody knew in advance in the absence of a prescribed plan and authority to carry it into effect that it would not produce the desired results, but still much of the time it benefited the wheat producers to the extent of 20 cents a bushel on their wheat. There has been a good deal of talk about the Farm Board. The trouble was with Congress not giving it a definite, workable plan. The board did the best it could. Many had the idea that 100 per cent cooperation could be effected voluntarily. Others advocated trying it out. We knew that it would not work. They tried it out at an expense of several hundred million dollars, so it dropped the stabilization plan. I hope now that all are willing to try out something else. At least the board is not to be criticized.

Mr. SUMNERS. I do not purpose to criticize the board. I do not want to get into any controversy. I want results.

Mr. HAUGEN. We want to clear that point up. I think we should protect the board and protect everybody else.

Mr. SUMNERS. I do not purpose to criticize anybody or any board in what I have said. I have a constructive purpose.

Mr. HAUGEN. I, of course, know that you don't. What have you to say about the plan suggested by these three farm groups?

Mr. SUMNERS. Unfortunately, I am not familiar with their suggestions.

Mr. HAUGEN. One is the cost-of-production plans, one the debenture plan, and one the equalization-fee plan. I think we

all agree that in some instances the equalization fee would work to the advantage of the farmer over the other plans, and in a number of instances, where there is a small surplus, the debenture plan or the cost-of-production plan might be applied. The suggestion submitted by the three farm groups is that the three plans be embodied in one bill, and the board directed to apply whichever plan or plans would serve the purpose best. What have you to say about that?

The CHAIRMAN. Mr. Sumners, the farm groups have suggested that we give the Farm Board the privilege or the option of using any one or all three remedies—the equalization fee, the debenture, and the so-called allotment plan.

Mr. SUMNERS. Personally, with all due respect to the Farm Board, I do not yield as a Member of Congress to the Farm Board the right to determine whether or not in its judgment the equalization fee or the debenture plan should be put into effect. I would assume that responsibility as a legislator definitely for the very specific purpose of making the tariff operate to the advantage—that is, the philosophy of the tariff—operate equally to the advantage of the farmer as well as to industry as long as that system operates.

Mr. HAUGEN. We have the tariff and the purpose is to make it effective. There is only one way of making it effective and that is one by debentures, at the expense of the Federal Treasury, or to do, as organized industry has been doing for the last 50 years, equalize the price. Every producer under that plan pays his proportionate share of the cost and receives his ratable share of the profit.

Mr. SUMNERS. Mr. Chairman, before I leave, I want to direct the attention of the committee and ask its consideration, if it sees fit, to H. R. 8896, a bill which I introduced. It is very brief, and with your permission I will read it.

The CHAIRMAN. Please do.

(Mr. SUMNERS read H. R. 8896, which is as follows:)

"[H. R. 8896, Seventy-second Congress, first session]

"A bill authorizing compacts among States for agricultural and conservation purposes.

"Be it enacted, etc., That two or more States are hereby authorized to enter into agreements and compacts, not in conflict with the laws of the United States, concerning the exercise of their governmental powers with reference to production, processing, and sale of agricultural products, development, and preservation of their natural resources, including soil fertility, and to create such agencies, joint or otherwise, as may be deemed necessary to make effective such agreements and compacts."

Mr. SUMNERS. This is merely permissive and is offered solely for the purpose of freeing the States from the restraint in the Federal Constitution against States entering into compacts. I had in mind that you gentlemen, if you will be good enough, some time, will consider the advisability of giving to these States engaged in the production of a given commodity congressional authority to enter into compacts and agreements with regard to those things concerning which they have a common interest.

I am very much obliged to you, gentlemen. Unfortunately I was not prepared properly to present this matter. You know the pressure we have all worked under. Nobody has had time really to prepare anything properly.

Mr. ANDRESEN. Mr. SUMNERS, before you leave, may I ask this question? During the war an emergency existed, as far as agriculture was concerned. There was an effort to beat down the price on certain agricultural products and Congress took recognition of that and established a minimum price on wheat, to assure the farmer cost of production and a fair return, or a profit. We are in an emergency now possibly greater than we were during the war, as far as the country is concerned.

What would your idea be on a similar proposition now, to set up a governmental agency, to establish a minimum price on certain basic agricultural commodities?

Mr. SUMNERS. Would you be carrying out the idea that the surplus is to be bought by some governmental agency and retained?

Mr. ANDRESEN. During the war, of course, the Government—

Mr. SUMNERS. There we had no difficulty, because we knew there was not going to be enough produced to feed us and our allies, didn't we?

Mr. ANDRESEN. An arrangement might be made whereby they would only purchase a certain amount of a man's crop.

Mr. SUMNERS. I do not want to give an opinion about it further than to say that any plan which holds in this country what we produce above domestic requirement is a threat to future prices and its retention here instead of letting it go into the world market is calculated to develop in other parts of the world large areas of competitive production, which in turn might cut us out permanently from the world market. We ought to try to hold that market against the day of better world conditions rather than keep the surplus here at the expense of storage and deterioration and the danger of its being turned loose at any time in competition with any years' crops. I wish I could emphasize the importance of that suggestion during the world adjustment that we ought to make every reasonable effort to hold for agricultural producers the world market that is required to absorb their surpluses.

Mr. ANDRESEN. But, Judge, they are producing more in all the other countries of the world, and soon the export market will disappear.

Mr. SUMNERS. I do not know whether we can hold it or not. But take cotton, for instance, and take your wheat, where you have 200,000,000 bushels of surplus; nobody knows exactly what

is going to happen, of course, but we are confronted with the very definite proposition. What are we going to do with our producers if they do lose their share of the world market?

Mr. ANDRESEN. It is a real problem.

Mr. SUMNERS. Gentlemen, to my mind, this is the situation: Here are these people fighting for a share of the world's market and being bled to support industries in this country. Are we to refuse in this situation to give back to them that which we are taking from them and which we know is necessary to help them to make this fight against world competition, and give back to them enough to enable them to buy the products that we produce in the cities? Gentlemen, I just can not see the horse sense in not doing it.

Mr. ANDRESEN. But if they lose the world market, then your debenture will not be worth anything.

Mr. SUMNERS. It would help to hold the world market. I do not mean to say that it would insure them to hold the world market, but it would assist them in that direction. Can't you see it?

Mr. ANDRESEN. I can not see it, because our wheat farmers can not compete with the wheat farmers of France.

Mr. SUMNERS. Take your wheat farmer. You export in round figures 200,000,000 bushels of wheat out of a total of some 800,000,000 bushels—something like that?

The CHAIRMAN. Those are the approximate figures.

Mr. SUMNERS. Suppose you have the debenture. That stimulates your wheat price in America. How much do you propose to stimulate it?

Mr. ANDRESEN. Twenty-one cents.

Mr. SUMNERS. Let us say 20 cents a bushel. You stimulate your wheat price 20 cents a bushel on your American consumption. That gives you a 20-cent increase on 600,000,000 bushels of wheat, does it not?

Mr. ANDRESEN. If it works out.

Mr. SUMNERS. Well, if it does give you 20 cents on 600,000,000 bushels of wheat, that is something that you have that comes to you as wheat producers. Then you can afford to sell 25 per cent of your product cheaper than you could otherwise if you had not received that assistance, could you not?

Mr. ANDRESEN. Yes. But we will run up against the same thing when we go to do that, that we impose upon other countries when they put a bounty upon products that they ship into this country.

Mr. SUMNERS. You are referring to the practice of dumping?

Mr. ANDRESEN. Yes. That will be automatically taken care of in that way.

Mr. KETCHAM. The answer to that point, which is always raised, is that these nations will not invoke antidumping laws if they need or they want the crop. That is the answer to that objection.

Mr. SUMNERS. That is correct.

The CHAIRMAN. A country that is short in any commodity certainly will not take those steps to keep it out of the country.

Mr. SUMNERS. I would be willing to see what they would do about it. I would not want to be too apprehensive about it. We had best cross that bridge when we get to it. Let us do our best. If we fail, we will not be at fault. That is the maximum of what can be required of anybody and it is also the minimum that is required. If we fail after I have done my best, I will not bother about it one split second. Difficulties are nature's gymnastic paraphernalia provided for the development of people.

I do not know how long this difficulty in the big economy is to challenge human thought and effort and result in human development, but I know it is here now to challenge us and we had better not lay down on the job if we would escape other punishment.

LOOKING AGAIN AT THE WHOLE MATTER

Now, in conclusion, let us look again at this matter. We have a principle that taxation shall be uniform. Taxation is not uniform as to these agricultural producers of exportable surpluses. They are taxed through the tariff to provide a bounty for others. There is no tax upon those others for the agricultural producers.

We have a basic principle that there shall be equality before the law. There is no equality before the law as between the two great classes of producers. One gets a bounty. The other is excluded. To this is added a second inequality, which makes a double inequality. The excluded class is forced by the Government which excludes them from a bounty to contribute to the bounty of others from their world competitive prices received for what they sell. In addition to the tax directly levied upon them by the tariff in the form of enhanced prices for what they buy above world prices, they pay a much greater tax indirectly in the shape of the increased overhead of others, increased cost of living of others, increased price of commodities used in manufacturing, and so forth, increased wage scales, and so forth, which are passed on from one to another until they reach these farmers who sell to the highest bidder in competition with the cheapest labor in the world. There it remains. That is a fact. These farmers can not pass these increases, not a cent of them, because they can not say when they come to sell a bushel of grain or a bale of cotton: "I have figured this all out. My capital investment is so much, my cost of production is so much, so much for upkeep of my farm and implements, and so much for a reasonable profit, therefore my price is so much." They say to the rest of the producers: "What will you give us?" and sell to the highest bidder. They absorb whatever of these increases reaches them through the general passing process from one to another in our business transactions.

The basic principles of our Government and of ordinary justice support the proposition of giving back to these farmers that which is being taken from them by the aid of the power and policy of this Government.

There is another consideration of public policy involved. If you go out in the country, you will find the farm plant; his manufacturing plant is not being kept up. The farms of this country are the most important factories we have. There elements of the soil, of the air, and of the sunshine and the rain are manufactured into food and clothing material, from which most of the things seen in the shop windows come, the things which make the banquet possible, which make up the adornment of dress, which even if substantially reduced make sound thinking and sane acting impossible, the things without which life is impossible. No public policy could be more devoid of true statesmanship than the policy which would permit that factory to deteriorate.

You say reduce the wage scale and reduce commodity values so the farmer can trade. Of course, if farm values remain as they are, everything must come down; but this is what you run into if you move in that direction, an insurmountable wall of existing indebtedness. You can not pay these debts with a low wage scale and low commodity values. That route leads toward universal bankruptcy or repudiation.

What are we going to do about it? What are we going to do about our general situation? Balance the Budget. That is fine. But that will not pay these billions of debts. But how about the farmer's budget this fall? How about his interest and tax bills being balanced with present prices and other budgets up the line? If they can be balanced, we can balance the Federal Budget without difficulty. If they can not be balanced, the Federal Budget can not stay balanced.

Why do not the factories open up? Why do not the wholesale merchants pay their debts and buy new wares? Why do not these idle people go to work?

Get a map of the United States. Look it over from east to west and from north to south. Of all the land which your eyes survey, eighty-odd per cent of what is cultivated is cultivated by these same farmers who are producing surpluses and selling to the highest bidder. As they are driven away from the staple crops which produce exportable surpluses they move into other fields of production—dairying, poultry, etc., and pull them down to the level of the staple crops.

What are we going to do about it? Are we going to continue the mental suggestion remedy, the foolish remedy, "Everything is going to be all right around the corner." We have wasted some precious years trifling with that remedy, much to the discredit of our statesmanship and to the common sense of the people.

This trouble is not mental. It never was mental. It is substantial. It is basic.

Are we to find the remedy in loaning money from the Federal Treasury to those who can not pay their present indebtedness?

Railroads are in bad condition, not for equipment, not for men to operate them. They do not need to buy things. They need revenue. Can this condition be remedied by a loan from the Federal Government? It may keep them out of the hands of a receiver for a while and leave the Federal Government with some bad debts which the taxpayers will have to take care of. What they need is commodities and people moving on the trains. They have got to have some revenue and nobody ever derived any revenue from what he owes. The same thing is true of banks. The thawing out has got to begin at the far end, at the bottom, with these farmers. It is proposed to advance \$2,000,000,000 for public works to build roads, etc. It looks as if we are going to be compelled to do it. But what roads? Who is going to use them? Who is going to pay for them? The people, of course. But are these troubles of ours due to lack of roads? Are they revenue producers in the primary sense? Who is going to pay for them and who is going to keep them up? The people. How? By taxation. Where will it get us? Maybe past the dole this winter, and save people from starving. But where will this road program lead us to? I mean, will it lead us away from where we are now or will it lead us in a circle?

We will come back to where we are, and we will be \$2,000,000,000 nearer exhaustion than we were before if we do not get things circulating from these farmers up.

I do not want to be misunderstood. As we are going now, millions of destitute people will have to be fed this winter, and anything is better than a dole. The point I make is that it is a makeshift. It does not touch the basic trouble.

But there is a limit to the ability of the Federal Treasury to respond with hundreds of millions and billions of dollars. Most of the other reservoirs of credit are already dried up and the water level of the Federal reservoir is going down mighty fast. Its sources of supply are drying up. If these sources of Federal financial resources dry up, become paralyzed, that paralysis must soon reach back to the Federal Government. In fact it is reaching to it now. The fact remains that we are getting nowhere with this program except postponing the inevitable consequences under that program, and adding with each passing day to the probable consequences when the limit shall have been reached.

All right; what ought to be done? In what direction should we move? What would you do if you were a tree doctor called to treat a tree in bad condition, and should find that an artificial arrangement had been installed by which the sap which nature allocates to the development of its root structure was being pumped away from the root into the trunk of the tree, and that now the root could not support the tree? What would you do? You would do two things. You would slow down the

pump, not too fast perhaps. That might not be safe for the tree. And then you would go to work in earnest to give back to the root, to the soil, that which would be most calculated to stimulate its recovery so that it could do its natural function in sustaining the tree.

You would not increase the pressure of the pump as we did when we raised the tariff, and try to keep the tree alive by taking still more sap from the roots, and refuse to give it water and fertilization as we did when we refused the debenture. You would not do the perfectly asinine things which have made up the reconstruction program of this Government trying to meet the present crisis.

Suppose you were a physician called to see a patient whose hands were becoming paralyzed and you should find that the venous circulatory system, artificially stimulated, was taking more blood from the hands than the arterial system was pumping back. Would you increase the artificial stimulus of the venous system, and go away and leave the patient, saying it "would be all right just around the corner" or would you reduce the artificial stimulus operating on the venous system and give the patient a blood transfusion at least equal to what is being pumped out?

PROTESTING INDORESEMENT OF ENTRANCE INTO WORLD COURT

Mr. TINKHAM. Mr. Speaker, I ask unanimous consent to have printed in the RECORD a letter that I have written to the chairman of the committee on resolutions of the Republican National Convention in relation to the membership of the United States in the League Court.

The SPEAKER. Is there objection?

Mr. BLANTON. Mr. Speaker, I reserve the right to object, though I shall not object. That is a matter strictly concerning Republican politics, is it not?

Mr. TINKHAM. I think it is Republican and Democratic politics.

Mr. BLANTON. The gentleman does not contend that anything that happens in the Republican convention at Chicago will have effect upon the people of the Nation as a whole, does he?

Mr. TINKHAM. I think so.

Mr. BLANTON. Other than adversely?

The SPEAKER. Is there objection?

Mr. GREENE. Reserving the right to object, does it have anything in it about the race question?

Mr. TINKHAM. Not a thing.

Mr. BLANTON. Is there anything about prohibition in it?

Mr. TINKHAM. Not a thing.

Mr. BLANTON. That is strange.

Mr. SCHAFER. Is there anything in it about birth control?

Mr. TINKHAM. There is not.

The SPEAKER. Is there objection to the request of the gentleman from Massachusetts?

There was no objection.

LETTER FROM HON. GEORGE HOLDEN TINKHAM, OF MASSACHUSETTS, TO HON. JAMES R. GARFIELD, CHAIRMAN COMMITTEE ON RESOLUTIONS, NATIONAL REPUBLICAN CONVENTION, AGAINST INDORESEMENT OF MEMBERSHIP OF THE UNITED STATES IN THE LEAGUE COURT

Mr. TINKHAM. Mr. Speaker, under the leave to extend my remarks in the RECORD, I include the following letter:

JUNE 9, 1932.

The Hon. JAMES R. GARFIELD,
Chairman Committee on Resolutions,
National Republican Convention,
Congress Hotel, Chicago, Ill.

MY DEAR MR. GARFIELD: I have been informed that it is proposed that the Republican platform recommend entry of the United States into the Permanent Court of International Justice of the League of Nations.

If this recommendation be adopted, the Republican Party would advocate violation of the American traditional policy of no foreign political entanglements. It would surrender to the internationalists and alien propagandists who seek to have us enter the European political field and the League of Nations. It would also stultify the repeated declarations of the Republican Party that it is opposed to the entry of the United States into the League of Nations. The Republican Party would be guilty of dishonesty and duplicity.

This court is a creation of the covenant of the League of Nations, which is a part of the Versailles treaty. The United States emphatically rejected the Versailles treaty. The covenant of the League of Nations is the constitution of the court, which the court must support and enforce. The court is part of the machinery of the League of Nations. It is a bureau of the League of Nations. It is called an "organ" of the League of Nations in its literature, and its official journal declares it "a most essential part of the organization of the League of Nations." The League of Nations uses the authority of the court for the

purpose of enforcing the Versailles treaty. It is the political instrumentality, agent, and servant of the League of Nations.

No reservations adopted to prevent the provisions of the covenant of the League of Nations applying to the United States could possibly preclude the moral liability of the United States for the decisions and acts of this court and her acceptance of them in good faith if the United States should become a member of the court.

The recent "advisory opinion" of the court in relation to the proposed customs union between Germany and Austria is the most convincing evidence of the political character of the court.

The unhappy state of the affairs of the American Republic, both domestic and foreign, is largely the result of our dangerous European war adventure of 1917. It bears witness to the dire consequences of departing from the American salutary policy of avoiding entangling alliances and of refraining from any interference or participation in the political affairs of Europe. It also makes manifest the utter folly of the further participation of the United States in the political affairs of Europe and the submission of its interests to European decisions.

The ruin about us must convince the American people that the United States should remain the unfettered agent of international peace and justice, with friendship for all nations and partnership with none.

Very truly yours,

GEORGE HOLDEN TINKHAM.

SENATE BILLS REFERRED

Bills and resolutions of the Senate of the following titles were taken from the Speaker's table and, under the rule, referred as follows:

S. 13. An act to regulate foreclosure of mortgages and deeds of trust in the District of Columbia; to the Committee on the District of Columbia.

S. 36. An act to amend the act entitled "An act to provide that the United States shall aid the States in the construction of rural post roads, and for other purposes," approved July 11, 1916, as amended and supplemented, and for other purposes; to the Committee on Roads.

S. 256. An act authorizing adjustment of the claim of Madrigal & Co., Manila, P. I.; to the Committee on Claims.

S. 261. An act authorizing adjustment of the claims of John T. Lennon and George T. Flora; to the Committee on Claims.

S. 329. An act for the relief of Beatrice I. Manges; to the Committee on Claims.

S. 363. An act for the relief of Nannie Swearingen; to the Committee on Claims.

S. 763. An act to extend the provisions of the forest exchange act to lands adjacent to the national forests in the State of Oregon; to the Committee on the Public Lands.

S. 773. An act to facilitate the use and occupancy of national-forest lands for purposes of residence, recreation, education, industry, and commerce; to the Committee on Agriculture.

S. 850. An act for the relief of Michael J. Moran; to the Committee on Military Affairs.

S. 1877. An act for the relief of Francis N. Dominick; to the Committee on Military Affairs.

S. 1980. An act to extend the times for commencing and completing the construction of a bridge across Lake Champlain from East Alburg, Vt., to West Swanton, Vt.; to the Committee on Interstate and Foreign Commerce.

S. 2331. An act to provide for the care, maintenance, and education of children born out of lawful wedlock; to the Committee on the District of Columbia.

S. 2447. An act to provide for references in law cases by consent of the parties and declaring the effect of such submission; to the Committee on the Judiciary.

S. 2941. An act for the relief of the Holy Family Hospital, St. Ignatius, Mont.; to the Committee on Claims.

S. 3543. An act for the relief of Robert Emil Taylor; to the Committee on Military Affairs.

S. 4107. An act to amend section 3 of an act, as amended, entitled "An act making it a misdemeanor in the District of Columbia to abandon or willfully neglect to provide for the support and maintenance by any person of his wife or his or her minor children in destitute or necessitous circumstances," approved June 10, 1926; to the Committee on the District of Columbia.

S. 4273. An act to pay an annuity to Frances Agramonte, the widow of Dr. Aristides Agramonte, member of the Yellow Fever Commission; to the Committee on Military Affairs.

S. 4339. An act repealing certain provisions of the act of June 21, 1906, as amended, relating to the sale and encumbrance of lands of Kickapoo and affiliated Indians of Oklahoma; to the Committee on Indian Affairs.

S. 4349. An act authorizing the President of the United States to present a Navy cross to Carlos V. Cusachs, late lieutenant commander, United States Navy; to the Committee on Naval Affairs.

S. 4374. An act to empower the superintendent of the Hawaii National Park to perform the functions now performed by the United States commissioner for the said national park, and for other purposes; to the Committee on the Territories.

S. 4425. An act relating to the immigration and naturalization of certain natives of the Virgin Islands; to the Committee on Immigration and Naturalization.

S. 4440. An act authorizing adjustment of the claim of George H. Hansen; to the Committee on Claims.

S. 4444. An act to provide for recording of deeds of trust and mortgages secured on real estate in the District of Columbia, and for the releasing thereof, and for other purposes; to the Committee on the District of Columbia.

S. 4510. An act to authorize exchange of small tribal acreage on the Fort Hall Indian school reserve in Idaho for adjoining land; to the Committee on Indian Affairs.

S. 4512. An act authorizing a preliminary examination of the McKenzie River in the State of Oregon, with a view to the control of its floods; to the Committee on Flood Control.

S. 4513. An act for the relief of Walter Thomas Foreman; to the Committee on Claims.

S. 4542. An act providing for the use by the Veterans' Administration of the old post-office building in Casper, Wyo.; to the Committee on Public Buildings and Grounds.

S. 4572. An act conferring jurisdiction upon the Court of Claims to hear and determine claims of certain bands or tribes of Indians residing in the State of Oregon; to the Committee on Indian Affairs.

S. 4573. An act authorizing the sale of the southerly end of the breakwater at Indiana Harbor, Ind.; to the Committee on Rivers and Harbors.

S. 4574. An act to extend the provisions of the national bank act to the Virgin Islands of the United States, and for other purposes; to the Committee on Insular Affairs.

S. 4759. An act to extend the times for commencing and completing the construction of a bridge across the Missouri River at or near Florence, Nebr.; to the Committee on Interstate and Foreign Commerce.

S. 4791. An act to amend the United States mining laws applicable to the city of Prescott municipal watershed in the Prescott National Forest within the State of Arizona; to the Committee on Mines and Mining.

S. 4808. An act relating to the acquisition of restricted Indian lands by States, counties, or municipalities; to the Committee on Indian Affairs.

S. J. Res. 124. Joint resolution to provide for the determination of claims for damages sustained by the fluctuation of the water levels of Lake of the Woods in certain cases, and for other purposes; to the Committee on Foreign Affairs.

S. Con. Res. 7. Concurrent resolution to print and bind the proceedings in Congress, together with the proceedings at the unveiling in Statuary Hall of the statue of Gen. John Sevier, presented by the State of Tennessee; and

S. Con. Res. 21. Concurrent resolution to provide for the publication of the proceedings in Congress and in Statuary Hall in connection with the unveiling of the statues of Junipero Serra and Thomas Starr King, presented by the State of California; and

S. Con. Res. 24. Concurrent resolution to print and bind the proceedings in Congress and in Statuary Hall upon the occasion of the unveiling in the Capitol of the statues of Jefferson Davis and James Z. George, presented by the State of Mississippi; to the Committee on Printing.

ENROLLED BILL SIGNED

Mr. PARSONS, from the Committee on Enrolled Bills, reported that that committee had examined and found truly

enrolled a bill of the House of the following title, which was thereupon signed by the Speaker:

H. R. 11337. An act authorizing the Secretary of the Treasury to exchange the Federal building site in Dover, N. J., for another site.

ADJOURNMENT

Mr. RAINEY. Mr. Speaker, I move that the House do now adjourn.

The motion was agreed to; accordingly (at 5 o'clock and 8 minutes p. m.), under the order heretofore made, the House adjourned until to-morrow, Saturday, June 11, 1932, at 11 o'clock a. m.

COMMITTEE HEARINGS

Tentative list of committee hearings scheduled for Saturday, June 11, 1932, as reported to the floor leader by clerks of the several committees:

SHANNON INVESTIGATING COMMITTEE

(10 a. m.)

Hearing on Government competition with private enterprise.

REPORTS OF COMMITTEES ON PUBLIC BILLS AND RESOLUTIONS

Under clause 2 of Rule XIII,

Mr. DOMINICK: Committee on the Judiciary. H. R. 194. A bill to amend section 6 of the national charter of the Great Council of the United States of the Improved Order of Red Men; without amendment (Rept. No. 1582). Referred to the House Calendar.

Mr. HOLMES: Committee on the District of Columbia. S. 1307. An act authorizing an appropriation for the alteration and repair of the buildings of Eastern Dispensary and Casualty Hospital; without amendment (Rept. No. 1583). Referred to the Committee of the Whole House on the state of the Union.

Mr. DOMINICK: Committee on the Judiciary. H. R. 11676. A bill providing for the appointment of a commissioner to hear cases arising under contracts of war-risk insurance in the District Courts for the Eastern and Western Districts of South Carolina; without amendment (Rept. No. 1584). Referred to the Committee of the Whole House on the state of the Union.

Mr. McKEOWN: Committee on the Judiciary. H. R. 12076. A bill for the conservation of oil and gas and protection of American sources thereof from injury, correlation of domestic and foreign production, and consenting to an interstate compact for such purposes; with amendment (Rept. No. 1585). Referred to the Committee of the Whole House on the state of the Union.

Mr. CARTWRIGHT: Committee on Indian Affairs. H. R. 12529. A bill relating to the acquisition of restricted Indian lands by States, counties, or municipalities; without amendment (Rept. No. 1586). Referred to the House Calendar.

REPORTS OF COMMITTEES ON PRIVATE BILLS AND RESOLUTIONS

Under clause 2 of Rule XIII,

Mr. PITTENGER: Committee on Claims. H. R. 1173. A bill for the relief of Sophie Carter; with amendment (Rept. No. 1576). Referred to the Committee of the Whole House.

Mr. BLACK: Committee on Claims. H. R. 4038. A bill for the relief of A. Randolph Holladay; with amendment (Rept. No. 1577). Referred to the Committee of the Whole House.

Mr. PITTENGER: Committee on Claims. H. R. 5780. A bill for the relief of Mary Orinski; with amendment (Rept. No. 1578). Referred to the Committee of the Whole House.

Mr. PITTENGER: Committee on Claims. H. R. 7134. A bill for the relief of Julia Santiago; with amendment (Rept. No. 1579). Referred to the Committee of the Whole House.

Mr. PITTENGER: Committee on Claims. H. R. 8009. A bill for the relief of Mabel Carver; with amendment (Rept. No. 1580). Referred to the Committee of the Whole House.

Mr. PITTENGER: Committee on Claims. H. R. 8668. A bill for the relief of Mrs. Joseph Roncoli; with amendment (Rept. No. 1581). Referred to the Committee of the Whole House.

Mr. BACON: Committee on Claims. H. R. 3031. A bill for the relief of Robert Turner; with amendment (Rept. No. 1587). Referred to the Committee of the Whole House.

Mr. BACON: Committee on Claims. H. R. 3032. A bill for the relief of Frederick W. Peter; with amendment (Rept. No. 1588). Referred to the Committee of the Whole House.

Mr. BACON: Committee on Claims. H. R. 3525. A bill for the relief of Rosemund Pauline Lowry; without amendment (Rept. No. 1589). Referred to the Committee of the Whole House.

Mr. BACON: Committee on Claims. H. R. 9571. A bill for the relief of Joseph Ricco; with amendment (Rept. No. 1590). Referred to the Committee of the Whole House.

PUBLIC BILLS AND RESOLUTIONS

Under clause 3 of Rule XXII, public bills and resolutions were introduced and severally referred as follows:

By Mr. MONTET: A bill (H. R. 12570) for the protection of the agricultural communities along Bayou Vermilion, in the State of Louisiana, against injury to or destruction of crops by reason of the increased salinity of the waters of said bayou resulting from the construction of the Intra-coastal Canal; to the Committee on Irrigation and Reclamation.

By Mr. BUCKBEE: A bill (H. R. 12571) to amend the act approved June 25, 1910, entitled "An act to establish postal-savings depositories for depositing savings at interest with the security of the Government for repayment thereof, and for other purposes"; to the Committee on the Post Office and Post Roads.

By Mr. MONTET: A bill (H. R. 12572) to provide for the appointment of an additional district judge for the eastern district of Louisiana; to the Committee on the Judiciary.

By Mr. HAUGEN: A bill (H. R. 12573) to amend section 81 of the Judicial Code, as amended; to the Committee on the Judiciary.

By Mr. JONES: A bill (H. R. 12574) to provide for the issuance of agricultural export debentures, to secure to the farmers a fair price for agricultural commodities, and for other purposes; to the Committee on Agriculture.

By Mr. JOHNSON of Washington: A bill (H. R. 12575) providing for Federal contribution to the local school district at McNeil Island, in the State of Washington; to the Committee on the Judiciary.

By Mr. CANFIELD: Joint resolution (H. J. Res. 427) proposing an amendment to the Constitution providing for a referendum on a proposed substitute for the eighteenth amendment; to the Committee on the Judiciary.

By Mr. SCHAFER: Joint resolution (H. J. Res. 428) authorizing the President to proclaim October 11, 1932, General Pulaski's Memorial Day for the observance and commemoration of the death of Brig. Gen. Casimir Pulaski; to the Committee on the Judiciary.

PRIVATE BILLS AND RESOLUTIONS

Under clause 1 of Rule XXII, private bills and resolutions were introduced and severally referred as follows:

By Mr. BANKHEAD: A bill (H. R. 12576) for the relief of John A. Shannon; to the Committee on Military Affairs.

By Mr. BOWMAN: A bill (H. R. 12577) granting an increase of pension to Louise Taylor; to the Committee on Invalid Pensions.

By Mr. DAVENPORT: A bill (H. R. 12578) granting an increase of pension to Anna Duffy; to the Committee on Invalid Pensions.

By Mr. FIESINGER: A bill (H. R. 12579) granting an increase of pension to Barbara Binkley; to the Committee on Invalid Pensions.

By Mr. KNIFFIN: A bill (H. R. 12580) granting a pension to John Killion, jr.; to the Committee on Invalid Pensions.

By Mr. LICHTENWALNER: A bill (H. R. 12581) granting an increase of pension to Tillie Conrad; to the Committee on Invalid Pensions.

By Mr. MILLARD: A bill (H. R. 12582) for the relief of Arthur Van Gestel, alias Arthur Goodsell; to the Committee on Military Affairs.

By Mr. SMITH of West Virginia: A bill (H. R. 12583) for the relief of the Commercial Credit Co. (Inc.); to the Committee on Claims.

Also, a bill (H. R. 12584) for the relief of George Waldo; to the Committee on War Claims.

By Mr. SWANSON: A bill (H. R. 12585) granting a pension to Cora F. Bossingham; to the Committee on Invalid Pensions.

By Mr. SWING: A bill (H. R. 12586) for the relief of Leo Emil Tiede; to the Committee on Military Affairs.

By Mr. TAYLOR of Tennessee: A bill (H. R. 12587) granting an increase of pension to Ebb Hundley; to the Committee on Pensions.

By Mr. UNDERWOOD: A bill (H. R. 12588) granting a pension to Emma Blosser; to the Committee on Invalid Pensions.

PETITIONS, ETC.

Under clause 1 of Rule XXII, petitions and papers were laid on the Clerk's desk and referred as follows:

8243. By Mr. CRAIL: Petition of M. G. Leach, of Los Angeles, Calif., offering a program which is a compromise between the \$2,000,000,000 prosperity loan for public works and the plan to buy municipal and State unemployment relief bonds to enable local communities to handle their own problems; to the Committee on Ways and Means.

8244. Also, petition of Aurora L. S. Hansen, recommending legislation which will encourage the raising of cattle and the drinking of milk and the use of dairy products for health and restoration of agricultural prosperity; to the Committee on Ways and Means.

8245. By Mr. FREAR: Petition of the Farmers' Union of Taylor County, Wis.; to the Committee on Agriculture.

8246. By Mr. LINDSAY: Petition of Railway Electric Supply Manufacturers Association, Chicago, urging defeat of House bill 12353, the "pork barrel" bill; to the Committee on Ways and Means.

8247. Also, petition of the Fifth Avenue Association, New York City, favoring modification of the Volstead Act; to the Committee on the Judiciary.

8248. Also, petition of the Fifth Avenue Association, New York City, favoring the recommendations of the National Economy Committee in balancing the Budget; to the Committee on Ways and Means.

8249. Also, petition of Railroad Employees National Pension Association (Inc.), Chicago, favoring the passage of House bill 9891 and Senate bill 4646, providing a retirement pension for transportation employees; to the Committee on Interstate and Foreign Commerce.

8250. Also, petition of the National Retail Hardware Association, Indianapolis, urging reduction of Federal expenditures and balancing the Budget; to the Committee on Ways and Means.

8251. Also, petition of American Savings, Building & Loan Institute, Chicago, favoring the passage of the Federal home-loan bank bill; to the Committee on Banking and Currency.

8252. By Mr. RUDD: Petition of the Welfare Council of New York City, referring to the safeguarding of Federal aid to housing; to the Committee on Ways and Means.

8253. Also, petition of the Fifth Avenue Association, New York City, favoring the modification of the Volstead Act, to permit the manufacture and sale of light wine and beer; to the Committee on the Judiciary.

8254. Also, petition of Railroad Employees National Pension Association, Chicago, Ill., favoring the passage of House bill 9891 and Senate bill 4646; to the Committee on Interstate and Foreign Commerce.

8255. By Mr. SPARKS: Petition signed by Seigel Lewallen and C. E. Dulin, of Glen Elder; N. P. Carl, of Cawker City; and 77 other farmers of Mitchell County, all of the State of

Kansas, favoring the repeal of the agricultural marketing act; to the Committee on Agriculture.

8256. By Mr. SUTPHIN: Senate concurrent resolution, adopted by the Senate and House of Assembly of New Jersey, petitioning Congress to appropriate sufficient funds to carry out the provisions of the national defense act of 1920; to the Committee on Military Affairs.

SENATE

SATURDAY, JUNE 11, 1932

(Legislative day of Wednesday, June 8, 1932)

The Senate met at 11 o'clock a. m., on the expiration of the recess.

THE JOURNAL

Mr. McNARY. Mr. President, I ask unanimous consent for the approval of the Journal for the calendar days of Wednesday, Thursday, and Friday, June 8, 9, and 10.

The VICE PRESIDENT. Without objection, it is so ordered.

CALL OF THE ROLL

Mr. McNARY. Mr. President, I suggest the absence of a quorum.

The VICE PRESIDENT. The clerk will call the roll.

The legislative clerk called the roll, and the following Senators answered to their names:

Ashurst	Costigan	Kean	Robinson, Ind.
Austin	Cutting	Kendrick	Schall
Bailey	Dill	Keyes	Sheppard
Bankhead	Fletcher	King	Smith
Barkley	Frazier	La Follette	Smoot
Bingham	George	Lewis	Steiwer
Blaine	Goldsborough	Logan	Thomas, Idaho
Borah	Gore	McGill	Thomas, Okla.
Bratton	Hale	McKellar	Townsend
Broussard	Harrison	McNary	Trammell
Bulkeley	Hastings	Metcalf	Tydings
Bulow	Hatfield	Moses	Vandenberg
Byrnes	Hawes	Norris	Walcott
Capper	Hayden	Nye	Walsh, Mass.
Caraway	Hebert	Oddie	Watson
Carey	Howell	Patterson	Wheeler
Cohen	Hull	Pittman	White
Connally	Johnson	Reed	
Coolidge	Jones	Robinson, Ark.	

Mr. McNARY. I desire to announce that the following-named Senators are detained in a meeting of the Committee on Banking and Currency: The Senator from South Dakota [Mr. NORBECK], the Senator from Michigan [Mr. COUZENS], and the Senator from Iowa [Mr. BROOKHART].

Mr. REED. I wish to announce that my colleague the junior Senator from Pennsylvania [Mr. DAVIS] is detained from the Senate on account of illness.

The VICE PRESIDENT. Seventy-four Senators have answered to their names. A quorum is present.

LEGISLATIVE APPROPRIATIONS—CONFERENCE REPORT

Mr. JONES. Mr. President, I desire to submit the conference report on House bill 11267, the legislative appropriation bill, and ask for its immediate consideration. The report was printed in the RECORD this morning.

The VICE PRESIDENT. The question is on agreeing to the conference report.

[For report see Senate proceedings of yesterday, CONGRESSIONAL RECORD, p. 12555.]

The report was agreed to.

Mr. JONES. I move that the Senate insist on its amendments still in disagreement, ask a further conference with the House, and that the Chair appoint the conferees on the part of the Senate.

The motion was agreed to; and the Vice President appointed Mr. JONES, Mr. SMOOT, Mr. HALE, Mr. BROUSSARD, and Mr. BRATTON conferees on the part of the Senate at the further conference.

GROWTH AND DEVELOPMENT OF CHAIN STORES (S. DOC. NO. 100)

The VICE PRESIDENT laid before the Senate a letter from the chairman of the Federal Trade Commission, transmitting a report of the commission entitled "Growth and Development of Chain Stores," submitted in pursuance to